THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

July 10, 1948

SENSE AND NONSENSE

AN EDITORIAL

Leap In The Military Situation

Frederick Lee

Report From America

M. R. Werner

Battle Of Kaifeng Eyewitness

Mark M. Lu

A NEW STUDENT TRAGEDY

AN EDITORIAL

VOLUME 110 CNC$300,000 NUMBER 6

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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

China's Poverty

To The Editor:

It is generally admitted that poverty is a national phenomenon throughout China. Heart-breaking signs of suffering are always greatly in evidence which, in turn, are an indication of the hard times we are undergoing. However, paradoxical as it may appear there is no lack of signs suggestive of great prosperity.

One of these is the group of well dressed gentlemen, together with their very fashionably dressed, elaborately painted lady friends, who lead a profligate life of great luxury. Aside from palatial dwellings and sleek limousines they have numerous luxuries in their possession which have been obtained on the strength of their ill-gotten money. When looking at this segment of society it seems as if there were no poverty in this country. But it must be pointed out that they do not represent the nation's population. They belong to that infinitesimal minority making up the privileged class. Mainly, they belong to the families of the wealthy politicians and militarists.

The vast majority of Chinese are in a miserable condition. Millions upon millions are eking out something resembling a living without the benefit of decent food or other bare necessities. What with the skyrocketing cost of living and with the dual yoke of oppression by government officials, these millions manage to hang onto life only through the process of gradually tightening their belts. Then, there are the thousands of innocent people who have been killed in the various disturbances occurring all over China. It is indeed difficult to comprehend the full magnitude of the scale of suffering among the survivors who have been turned into wanderers or beggars.

China today has been transformed into a world of mendicants. Even in Nanking, the capital, and in Shanghai, the richest city in the nation, armies of beggars are often encountered. From this alone, it can be gathered that every nook and corner of the country is full of beggars. It is only natural that those who live in the port cities should have no real idea of the throngs of beggars in the interior. As things stand there, these throngs surpass anything that one can dream of. The writer is unfamiliar with conditions in the interior but, nevertheless, a recent trip to Nanchang went a long way towards letting in some light. Although the scene witnessed by him was merely in Nanchang it can serve as a typical example of conditions throughout the country. Nanchang is the provincial capital of Kiangsi, not far from Shanghai, but the level of its civilization is at a very low ebb. Except for Chungking University and Chungking Medical College there are no institutions of higher learning. Although it is a provincial capital, it is an ordinary poor city where business is very slack. It has no large stores and everyone lives from hand to mouth with the exception of a handful of rich merchants and the privileged class. The gulf between the rich and the poor is as wide as the ocean. The rich generally have walls around their homes to keep

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out the poor and the poor have bamboo fences to keep out the still poorer.

What surprised the writer greatly was the common scene of constantly being surrounded by hordes of beggars asking for money. Every corner of the city was the same. Perhaps no city in the country has as many beggars as does Nanchang today. There are young and old, male and female mendicants. Most of them haven't an ounce of fat on their bodies while their skin is loose and hangs from their bones.

What surprised this writer even more is that in this city many persons are buried without any coffin. Insofar as death in Nanchang is concerned few people can afford a large funeral. An ordinary funeral is usually seen. At best two coolies pass down the street bearing an unpainted wooden coffin slung on a rope. Behind the coffin come the women and children followed by one or two priests who are followed by a few other persons. An even more pitiless type of funeral employs a coolie to carry the corpse rolled in a broken mat. All of this is a clear indication of the utter poverty of the people.

Only by meditation can we realize that the common people in China are at the mercy of poverty as well as the severest ordeals life can bring. On the whole, what the common people are now suffering can be better imagined than described.

EUGENE HWO.

Shanghai
June 25, 1948

English Lesson

To The Editor:

Speaking from the point of view of a long-time teacher of Middle School English in various parts of China, I wonder if there is any other better term than "pedicab" for the "three-wheeled cart." And just where has "tricycle" come from? My senior middle school students all insist on using it, and today while waiting vainly to find a passing bus with standing-room, a kind young man offered to call a tricycle for me. Now in America, at least, a tricycle is only used for a small child's toy when he is still too young to be able to ride a bicycle; and the idea of one or two adults riding such a vehicle strikes us as very funny.

I am trying very hard to instill this fact into the minds of about 400 middle school boys, but that seems useless when so many thousands are using "tricycle." If this is to become the accepted term, then I don't want to waste any more effort. It is we, then, who will have to change the name of our children's toy.

Also, will all teachers and parents of early pupils of English join in an effort to eradicate the following very common mistakes of all (or nearly all) speakers: i.e.

1. 'I borned" instead of "I was born."
2. "He married with her" instead of "He married her" and "They got married."
3. "He was died" (what color?) instead of "He died."
"He was dead" instead of "He is dead."
4. "I am interesting," "I am amusing," I am disgusting," instead of "I am interested, amused, disgusted, etc."
5. I am very like you, I am very thank you," etc. instead of "I like you very much, I thank you very much", etc.
6. "I am your lovely pupil", instead of, "I am your loving pupil."

My friends who are University teachers of English tell me these mistakes occur over and over again. Can't we middle school teachers make a concentrated effort to ease their work a little?

G F R

Nanking
June 26, 1948

Businessman Suggests

To The Editor:

Here are a few suggestions that may not have been put forward previously and may be of interest to you:

1—The U.S. does not prohibit the possession or use within America of the currencies of other countries although they may not legally be used in settlement of public or private debts. This means contracts in foreign currencies cannot be enforced by legal suits in the American courts. There would thus be no loss of face to China in again permitting foreign currencies to be owned and traded within China provided that she stipulated that contracts in such currencies could not be contested in the Chinese courts.

2—The employment of foreign experts is perhaps even more common in foreign countries than in China. My own large and well-known principal in America owes its present success in no small measure to the British and German technicians it still hires from abroad. The basic salaries of such experts must be promised them and paid regularly in their own national currencies, but half of their total income could be paid in Chinese currency at free rates of exchange.

3—If foreign currencies are again permitted to be held and traded in China, then it is easy to require that all customs duties shall be paid in the currency of the country of origin of the goods imported. This will produce foreign currencies for the Central Bank.

4—The possession and trading of gold in bars not less than 10 ounces should be legalized, and contracts expressed in gold bars should be enforceable in the Chinese courts. If this were done, business would be able to make forward plans.

5—Real estate has been and will again prove the best source of taxes in Shanghai because it cannot be hidden. If gold bars are legalized, the Land Administration should re-assess all property in Shanghai in terms of gold bars, post the assessments publicly for 30 days, and then assess taxes in gold bars in terms of a percentage of the assessed valuations. Assessments of less than one bar should be payable in fapi at market rates for bars. This will result in gold for the city coffers.

Approval of any three of the above five suggestions will have an immediately favorable effect upon the economy of China.

"AMERICAN BUSINESSMAN"
Shanghai
June 24, 1948

New Words

To The Editor:

One of the tasks of second grade students in the senior part of our school is to study the *Weekly Review* three hours each week. From it, we are able to read many good articles and learn many new words as well as have the opportunity of reading the correspondence which cannot be found in monotonous English textbooks.

The columns devoted to Letters From The Readers is greatly beloved by all my classmates because each letter is so clear and simple that we are able to make progress in our study of English. However, it is difficult for us to read the editorials and most of the articles without using a dictionary. And the dictionary we have to use must be a recently published one because there are so many unknown and new words. Therefore, I hope that you can sometimes explain those words which are new ones.

WEI DAN JYH.
Tsing Hwa Middle School,
Chungking, Szechuan
June 21, 1948

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Anonymous Professor

To The Editor:

In the article "Liberal Professors And America" written by an anonymous foreign professor, whether intentionally or not, the good professor indulges in a bit of none-too-subtle smearing of the very familiar red herring.

After presenting a restrained report on what he believes is correct and what is incorrect about the "liberal" professors' objections to American policy, your writer then leaves the reader with the interesting task of answering his "Point of Information: Would someone explain clearly to me just how the views of China's 'liberal professors' differ from orthodox Communism?"

Having read the piece up to the final paragraph, and until which the author seemed to have made a point of being steeped in an air of impartiality, I must admit having been rather shocked at the naive-sounding but not-so-innocent ending. For, although the reasons given for differing with the "liberal" professors' ideas on America are fair enough, I fail to see just how this leads to a suspicion that they are simply Communists. Or are we rapidly approaching the stage where residents of a foreign nation who remain steadfast in their convictions that the United States foreign policy is at times incorrect or even always incorrect are nothing more or less than Reds?

I suggest that your professor trot out and ask a few of the "liberal professors" how they differ from the orthodox Communists (whatever they are, for there are some circles who claim that even the present day Communists throughout the world are quite unorthodox). Perhaps they may have an answer and perhaps they may not. But at least he might get some first-hand information instead of just passing along insinuations. If all else fails he can ask J. Parnell Thomas and his Un-American Committee. They are experts on liberals and Communists.

AUGUSTUS.

Shanghai
June 28, 1948

Selling Arms

To The Editor:

There is little wonder that our Government's military situation is in the condition it is in. I have just read about an official in the Ministry of Economics being sent to Hankow to face charges of having sold military supplies while he was the commander of a division two years ago.

At that time this man was head of the 72nd Division and was reported to have sold quantities of ammunition, machine-guns, rifles and trucks. It was also stated in the papers that he was only arrested last week in Nanking. The papers do not say to whom he sold all this material but it is not difficult to guess. I wonder how much of this sort of thing has gone on in the two years this man has been allowed to remain free. How can our army be expected to suppress the bandits when men such as these betray it for their own ends?

Governor Dewey has said that when he becomes President of the United States he will see that China gets "sufficient aid." Walter Judd, who also has the best interests of the nation at heart, is most elated at the prospect of Dewey gaining office. I pray that these two men will not be adversely affected when they hear of cases of arms being sold. They might say that for every story of this kind which gets into the papers there may be lots of others which don't. And then where would we be?

Meanwhile our soldiers are killed and wounded in battle, sometimes for lack of enough weapons or ammunition. I hope the Hankow court remembers this when trying this man.

SAMUEL LIN.

Shanghai
July 27, 1948

American Policy

To The Editor:

It is a tragedy for America herself and for world peace that since the death of President Roosevelt the Administration in Washington, under the control of Wall Street and the military, despite internal and external clamoring against it, has been treading the path toward domination of world markets for profit and self-aggrandisement. This has been carried out in the name of the struggle of democracy versus communism via the Truman Doctrine and the Marshall Economic Plan, alias the cold-blooded Dollar and Atom Bomb Policy.

There is no need to quote the carloads of literature which have appeared all over the world pointing out the failures of such a policy as evidenced in Greece, Turkey and China and the uneasiness in Western Europe over American militarization of Germany. It is also shown in the shame of Britain asking for further American loans, the French hesitation about accepting American plans for Germany and the Australian and Manila concern over MacArthur's gradual but consistent "Japanese recovery." I shall quote briefly the consensus of opinion in China regarding the ever-growing anti-US policy towards Japan (one must understand that this has nothing to do with the traditional Chinese friendship for Americans in general).

There was two open letters by some thirty college professors in Nanking to Ambassador J. Leighton Stuart which provided statistics on American economic and military help to Japan (Chungking *Ta Kung Pao* of June 11) and 437 professors in Peiping did the same thing plus a statement by the student body of Yenching University in which it was stated, "We love our teacher Stuart but we love the truth more." However, the Draper and Strike missions would be more first-hand and convincing. The most hopeful sign for world peace is that American money failed to buy human souls while the most tragic thing is that some Chinese officials have sold their souls at the expense of their character and American education for their own political ascendancy; thus, I feel that "a little learning is dangerous."

I also want to show how the Washington Administration has lost its mental and moral poise and how it has chosen the wrong methods. An open letter to the *New York Times* of May 2, 1948, written by Professor John K. Fairbank of Harvard University, stated that the practice of carrying out present American policy in Greece, Turkey and China is only helping fascism. The debate in the US Senate over ratification of the Sino-American Commercial Treaties proved that the correct and expert opinions of Miss Maude Russell of the League for a Democratic Far Eastern Policy, Mr. Bruce M. Smith of the Shanghai American Chamber of Commerce and Judge Helmick on China were submerged and lost out (*Shanghai Evening Post* editorial "It's Our Baby Darn It" of May 29, 1948). Congressman Walter H. Judd urged US moral, military and economic assistance for China before the Methodist General Conference in Boston but Bishop Ralph Ward and Bishop Oxnam told Judd that it is the Methodist policy to avoid partisan politics and to advocate democratic improvement of the people's livelihood as the most effective means of dealing with the communist menace (*China Press*, May 7, 1948).

Ex-Secretary of State James Byrnes spoke at the commencement exercises of

Winthrop College and accused Stalin of bad taste in answering Henry Wallace's open letter to him. He said that Stalin should have written to Truman instead. I wonder how he could have written to Truman without first receiving a letter from Truman. Washington did the wisest thing so far in initiating the Smith-Molotov talks on the settlement of some of the outstanding US-USSR issues but it retreated at the eleventh hour. The American solution of the Palestine problem wavered between partition and coalition because Washington itself is in a quandary. Secretary of the Navy Sullivan declared that communism and democracy cannot live in the same world but the fact is that they have to live in the same world or this world will be hell on earth (*Shanghai Evening Post*, June 7, 1948). Thus, I conclude that the Washington Administration and the military both have the "guts" to say and do things but they don't have the same "guts" to admit responsibility when they are wrong.

Right now Washington, through the selfishness, ignorance, carelessness and the good-nature of its top-level men, is allowing the wicked to rearm, is making the rope which someday may help hang itself. For there is no doubt that Germany and Japan, fully re-armed and smarting under the defeat of World War II, will make use of World War III to wreak their vengeance upon the ones who defeated them in previous battle.

CHINESE JOHN THE BAPTIST.

Chengtu
June 20, 1948.

Squeeze System

To The Editor:

You cannot imagine the people's pain and distress under the squeeze system. My native town, Huaying, near the shore of Tungting lake in Hunan, abounds with fish and rice and the harvest of grain is too much to calculate each year. Every house has a large amount of corn in the autumn, but by the end of the year we are never free from famine.

Why is this? There are many cruel native officials who squeeze. For instance, not far from my house there is a man named Luo Wung Hsun whose bad conduct was attacked in Changsha newspapers two years ago. Now, he has become suspicious of what I have written about his conduct and has instructed his thugs to kill me if I come back home for summer vacation this year.

There are so many people like this that every house can do nothing but obey their orders. One order has been issued that forbids transporting grain from one place to another for selling. This allows many opportunists to buy grain at a low price and load it to Wuhang or Nanking, where a large profit can be obtained.

Two months ago, our native place was destroyed by floods, and thousands of refugees have been rendered homeless and starving. I only hope our government will send enough food to save them. If it does not, they will rise in rebellion or welcome the Communists.

SHEYANG YUN.

Nanking
June 28, 1948

Victorious Japan

To The Editor:

Everyone in the world knows that American aid to Japan is not only to help the Japanese get their daily bread but it also is for the revival of their military power. We are not at all envious of this and we know that we have no right to prevent America from doing what she is doing. We are well aware of the fact that the restoration of the Japanese military is in order to wage a war against Bolshevism.

It seems to America that World War III is inevitable and aid to Japan is necessary. But this dreadful war can only succeed in destroying the earth and its human inhabitants. We wonder why the world's most powerful nation does not use her enormous resources to create a peaceful world.

We recall that during the second World War the Japanese always said that they did not want to fight the poor Chinese but only wanted to fight America because it was the richest country in the world and everything could be obtained by defeating her. Now Japan has obtained her end. She gets everything from America. She has been defeated in name only. In fact, she is the victor. To many Chinese, General MacArthur is not an overlord in Japan but a plenipotentiary submitting articles of tribute to his conqueror, Mr. Mikado.

CHOU LIN.

Kunming, Yunnan
June 21, 1948

Shensi Letter

To The Editor:

Since my return to my home town, Pucheng, on June 5 from Wuchang, I have been thinking of informing you of the situation here in Shensi, especially in the regions around this district.

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Pucheng, as you may know, was surrounded and under attack by the Communists early in March. Fortunately the town was saved. However, the villages within 10 li of the town were thoroughly destroyed. Government troops took away almost all the wooden furniture from the farmers and built tremendous fortifications. A friend of mine had every door, window, table, chair and kitchen utensil taken by the time he returned home from his relative's, where he had gone to take shelter during the fighting. Many women who had run out of town to seek refuge in a private hospital in the northern suburbs were raped and some of them were taken into the town the next morning when the Communists began to withdraw. They were in a very critical condition.

When I asked my friends for more details about the whole situation they mostly shook their heads with an expression that seemed to say they were not willing to recall the painful memory. According to some of my friends, who had been eye-witnesses both in our town and in the nearby villages, the morale of our troops has been hopeless and their discipline amounts to practically nothing. Desertion is the order of the day. A platoon of soldiers now stationed in our house is sometimes seen boisterously squabbling and some of them told me that whenever they get their meager pay they gamble it away, for there is no telling what the future holds for them.

On the other hand, the Communists' discipline is said to be "incredibly" good. They didn't enter any of the villages forcibly while the fighting was going on nearby. They sent their "representatives" in instead to buy food from the villagers and paid for whatever they took. At first the farmers were afraid of them and dared not take their money but they finally did take it because they said that the Communists were extremely "obliging" and "kind" to them. One thing impressed me most deeply: a student of the Commercial College in Sian went from his native town of Soochuen to Sian some weeks before and met the Communists on his way. He was searched and CNC$10,000,000 was found on him. They advised him not to carry such a large sum as the chances are ten to one that you will lose it as soon as the Kuomintang troops search you." So, they asked him to leave it with them saying that they would remit it to him. At first, he couldn't believe his ears but finally was persuaded to leave the money and his address with the Red examiner, hoping that he would not be cheated. Curiously enough, on the second day of his arrival at his college his money arrived through some unknown private agency. When he told the story to his classmates it made quite a stir.

The lao pai hsing in this province generally seem to have acknowledged the "far better discipline" of the bandits, but they say "good discipline is only politics or diplomacy and they are far worse than the Government troops when they have occupied a place for a long time." Some say otherwise, that they are really fed up with the Government troops and would like to be ruled by the Communists who, judging by their manner of treating and speaking to the people, seem to be the friends of the lao pai hsing.

I know that our Government lays special stress on the "morale" and "discipline" of our troops but to date they are no good. One can't bear thinking of the future.

Early this morning, troops from this town were ordered north along three routes toward Peisui which, it has long been said, was retaken but actually never was. Peisui now is said to have no Red army within the town. It seems to me to be foolish to attack cities and leave large sections of the country to the Communists.

The Governor of the province predicted that the Communists would again attack Sian within two or three months. Much will be suffered and sacrificed by the lao pai hsing of Shensi in the summer and autumn.

P. Y. WANG.

Pucheng, Shensi
June 13, 1948

Who Is Responsible?

To The Editor:

While the progress of a country depends on the improvement of education, this is not the case in China today. For example, it is reported that tens of thousands of lives were lost during the battle of Kaifeng, including 500 students of National Honan University.

When this news was reported here, every one of us was deeply touched with pity. Not only these 500 youths, but thousands more, who are supposed to be the pillars of tomorrow's China, are faced with a like fate.

I do not know what is the best course for our government authorities to take to meet this fatal crisis. It seems that nothing is further away than stopping the civil war. If the miserable day should come when China would face collapse, I shall ask, "Who should be held responsible?"

LIANG FUH-KWANG.

Tientsin
June 27, 1948

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Sense And Nonsense

THE catastrophic spiraling of commodity prices in Shanghai and other leading cities during the last two weeks of June has brought to light the extreme gravity of the economic crisis confronting this country. The situation in Shanghai was particularly disturbing; certain commodities zoomed more than 100 percent in less than 24 hours. Price tags were hurriedly changed several times a day and some panic-stricken shop keepers preferred to play safe by discontinuing business altogether for fear of lagging behind the soaring prices. Bewildered and alarmed folks were left wondering whether this was the beginning of the end.

The situation was made all the more complicated and alarming by Nanking's do-nothing policy. Dr. Wong Wen-hao's new government simply kept silent throughout the crisis and did not announce its counter-measures until the prices, as an anti-climax, began to fall off slightly at the end of the month. Worse still, these counter-measures turned out to be the same that have been tried by Wong's predecessor and found wanting.

Shanghai's civilian and military leaders were keenly aware of the immediate dangers involved in the price situation and they were agreed that prompt action must be taken before the rapidly deteriorating situation got out of hand. Garrison Commander General Hsuan Ti-wu frankly admitted that Shanghai's economic situation had reached such a state of gravity that it must be faced with an open mind and without further camouflage under high-sounding phraseology. In his opinion, the city might face a total economic collapse unless the most energetic preventive measures were taken in the nick of time.

The general played up what he called man-made factors in the present crisis and reiterated his firm determination to use force, if necessary, to combat profiteering, speculation and hoarding. He made no secret of his plans for fighting profiteers and speculators, openly announcing that the economic intelligence services were compiling a blacklist of unscrupulous merchants manipulating the local markets. He bluntly warned that some people would have to pay with their necks for further profiteering and speculation.

We fully appreciate the motives behind the emergency measures the local authorities have taken to cope with the present desperate situation and we have nothing but sympathy for their determination and readiness to do something about it before it is too late. However, we are inclined to doubt whether any use of force or threat of force will ever help matters much. True, there are man-made factors which must be held partially responsible for the current crisis. It is equally true that the prevailing economic chaos and particularly the sky-rocketing of commodity prices are attributable more to the operation of the natural law of economy than to man-made factors. Profiteering, speculation and hoarding are nothing new in this country. They have been in existence since the early days of the Sino-Japanese War. But the recent violent price fluctuations are something which has no parallel in war-time or postwar history. They are the outgrowth of an accumulation of economic, political and military factors. In this connection, it will be interesting to recall that the fall of Kaifeng into Communist hands, the astounding depreciation of the Chinese national currency, the intensification of the runaway inflation and the circulation of wild rumors were regarded by competent economists as the major causes for the price upheavals. And all these factors are so deeply-rooted that it would be mere wishful thinking to believe that they can be removed by a display of force.

Of course it is terribly easy to blame the whole economic mess on unscrupulous merchants and make scapegoats of them. But economic matters are not that simple. If force could solve complicated economic problems there would be no economic trouble at all.

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THE trouble with Nanking, it would appear, has been that in spite of much lip-service to Dr. Sun Yat-sen's Principle of the People's Livelihood actually very little has been done. During the past 20 years, Nanking has failed to work out sound and reasonable economic policies so that "the greatest benefit will be shared by the greatest number of people." Take taxation for example. It is generally recognized that the burden of taxation bears hard on the people in the low income brackets while the rich and privileged are able to dodge one way or another. The latest evidence is furnished by the poor results of the much-advertised special relief levy. According to reports in the Chinese press, despite the expiration of the June 30 deadline for the collection of CNC$8,500,000,000,000 in Shanghai only a total of a little more than CNC$300,000,000,000 was actually collected. Mayor K. C. Wu is the only government official to take part—he voluntarily donated CNC$500,000,000.

At the very outset, it was stressed that the levy was a soak-the-rich device and was to be operated on a voluntary basis. But later developments indicate that the rich did not wish

to pay. The levy was then forced upon the various trade guilds and other civic bodies for distribution among their respective members.

The same thing happened in Peiping. There, the local authorities compiled a list of "qualified" multi-millionaires who were liable to pay. But these people, many of whom were big shots with "background," flatly refused to contribute under one pretext or another. It has become increasingly apparent that the soak-the-rich tax has turned out an entirely different matter.

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THERE has been an awful lot of speech-making on the absolute necessity for backing the Nanking Government in its fight with the Chinese Communists. But when it comes to doing one's bit, the people who did much of the talking preferred to be "modest" and stay away, letting others do the job. Such being the case, is it any wonder that the people should become apathetic and resentful?

At a recent meeting of the Legislative Yuan one member complained bitterly that the Communists were fighting for the poor who constitute a vast majority of the Chinese population while the Government was fighting for a handful of the rich and privileged. Even so, the few privileged have failed to give their financial support to the government.

This view was shared by Garrison Commander Hsuan, who after stressing that all resources should be mobilized and every one should join in the campaign if the Communists are to be wiped out, revealed that the emergency measures only protect a few persons, not the masses, and most rich men would not contribute any money for the Red suppression campaign. Premier Wong Wen-hao also rapped Shanghai's industrialists and bankers for the drain of the nation's wealth into Hongkong and bluntly warned that their fate is tied to that of the Government.

The whole business is highly amusing and interesting. The projected property tax also has aroused considerable protest and opposition from business and industrial circles on the ground that it will be an outrageous exploitation of the small and middle-size factories and business firms.

In defiance of the hue and cry against bureaucratic capital, Governor T. V. Soong of Kwangtung sharply told his critics in the provincial council to shut up, because, he said, all this loose talk about bureaucratic capital was nothing but Communist poppycock. According to the governor, he has been eight months in Kwangtung without ever coming across any bureaucratic capitalists. Of course, the governor does not consider himself one of them. Of timely interest is a news story that the headquarters of the National Committee on the Special Relief Levy in Nanking has requested Governor Soong to facilitate and speed up the collection of the levy in his province.

But Governor Wang Lin-chi of Szechuan told a different story. In reply to requests from the provincial council to take "drastic action" against bureaucratic capital, he said since the Central Government had been helpless on this question he could not reasonably be expected to do anything about it. Governor Wang is an army man. Perhaps, this is one reason why he was more frank than politician Soong.

In a nutshell, the question appears quite simple. Unless Nanking is fully determined to pursue sound economic policies on the basis of Dr. Sun's Principle of People's Livelihood, any emergency measures or use of force to meet the present desperate situation will not help much. If the Government continues to fight shy of the basic causes it cannot hope to work out once-for-all solutions for the present urgent problems facing this country.

Where ERP Dollars Go

THE billions of dollars appropriated by Congress for the European Recovery Act, for China aid and for US occupation zones in Germany, Japan and Korea constitute a gigantic world-wide pump priming operation which promises to do more to get the wheels of world industry moving at maximum speed than any similar aid program. This, of course, is partially due to the size of the present program which dwarfs all previous ones. However, another important reason is the method of spending to be employed.

In the past, foreign aid programs such as Lend-Lease, UNRRA and the numerous private relief activities were relatively simple in their administration. Money, raised by taxation or solicitation, was spent entirely in the US for supplies needed abroad. The US dollars never left America. The effect upon the home economy was predictable in that it either gave a shot in the arm to lagging industry or increased shortages of materials already scarce.

This time, however, it will be extremely difficult to track down all of the US dollars as they travel around the world, providing goods for one country and scarce "hard currency" for another. An example of this is shown in the case of food for Britain. While some of Britain's food requirements will be supplied with American food, the US agricultural industry, already producing at a high rate for various food deficit areas throughout the world, cannot supply Britain's total requirements. Canada, however, has a food surplus and will supply most of the United Kingdom's needs. The US will pay Britain's food bill in Canada, thus accomplishing two jobs at once—supplying needed food and supplying needed dollars. Canada will not only get a market for her agricultural surplus, but will get paid in a hard currency as well. Expenditures for other items for other countries will also be made in Canada. It is estimated that about US$1,000,000,000 will be spent in Canada alone this year for ERP supplies. Canada's dollar shortage will be eased and she will be able to buy more goods from the US.

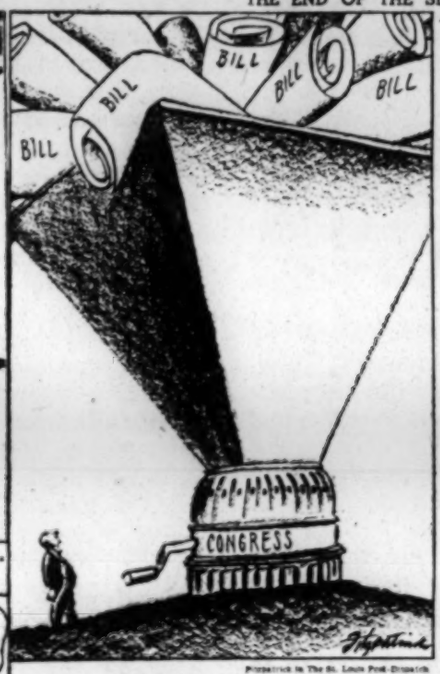
Another interesting development of ERP aid is centered in the use of American tobacco.

IT SEEMS TO BE A CAMPAIGN YEAR

"Gold in them thar hills."

"Button, button, who's got the campaign button?"

THE END OF THE SESSION APPROACHES



"It's getting late, Mister."

"A man who just wants to go to Philadelphia."

These four cartoons reflect popular opinion about two internal American political topics. Upper left depicts Truman about to start out on his recent western speaking tour, during which he hoped to whip up support for the coming election. Lower left, shows the various hopefuls looking for the nomination "button" before the Republican convention. Cartoonist Smith cynically believes that there is no real competition, since the GOP political bosses will pick the man they want, regardless of popular will. Top center, as well as top left cartoon, is a comment on the vast amount of unfinished legislation which Congress left behind when it adjourned before the Republican convention. Implication of both cartoons is that Congress at this season is more interested in politics than in legislation. (See editorial, "Spring Fever Hits Congress," *Review* for June 19.)

While not an essential food, tobacco has been found to have many startling and sometimes beneficial effects on national economics. It is in such demand—sometimes more so than food itself—that unless the supply is adequate a blackmarket invariably develops. America normally has a tobacco surplus which the ERP administration will buy. This will aid the US tobacco farmers and the industry by keeping prices up to the current level. According to present plans about 400,000,000 pounds of tobacco will be sent to Europe. This averages out to about two pounds for each man, woman and child receiving ERP assistance.

In the case of Britain, the original ERP plan called for 218,260,000 pounds, about five pounds per head. However, the British reportedly have been objecting to such a large quota and at this writing the exact situation is not known. Under the original plan, ERP proposed to spend US$119,000,000 for tobacco in America. This tobacco, shipped through private trade channels, would be taxed upon entry into the United Kingdom at the rate of US$11.74 per pound, thus bringing in a total of the pound sterling equivalent of US$2,500,000,000 in internal revenue for Britain. No other single item could produce such revenue. Followed through all its ramifications, it makes an interesting story—a luxury item for which the demand is so great that it becomes a subject of vital importance in international trade and internal finance.

* * *

IT still is too early to see very clearly how similar to ERP the China Aid Program will be. However, it may be presumed that in some respects it will follow the same pattern. Probably China will come in for only very small amounts of US dollars received for purchases for other nations since this country has so little to export. However, there is a chance that exports of some traditional China products will pick up. Wood oils, wolfram, tea, etc. will be in greater demand in a world economy that is generally expanding under the influence of

pump priming with billions of US dollars. Perhaps Canada will use some of her US$1,000,000,000 received from the US in payment for food and other items for Britain to increase her tung oil purchases. Perhaps Britain or France will use some of the US dollars they receive for services or supplies to other ERP countries for increased purchases of tea or bristles. While it is impossible to tell at this time just what benefit China will receive from the US spending via other countries, it is a safe bet to say that she will profit to some extent.

The China Aid Program itself will, of course, be a boost to the local economy. However, it is our understanding that the expenditure of the funds will be so closely controlled in this country that few of the US dollars will actually appear in the China market. They will be spent in the US, in Europe and in other countries of Asia, and China will benefit in the form of sorely needed commodities. One prospect, which to date is hardly more than a rumor, is that if China's aluminum industry in Taiwan can be brought to a satisfactory production level, she may be able to sell some to aluminum-short America for manufacture into goods for other nations receiving US aid.

One instance in which American dollars spent to aid China will benefit another nation of Asia concerns the proposed renovation of the Canton-Hankow Railway. If the original scheme is carried out, approximately US$10,000,000 of the money allotted for specific projects will be spent in Japan for railway equipment. Japan, in turn, will use the 10 million for buying cotton and other raw materials from the US.

While the end use of many of the US dollars appropriated by the American Congress and paid in taxes by the American people may never be known, it seems certain that their entry into world trade channels will provide a much needed lift for most nations. The accent on private industry is certainly to be welcomed, although a certain measure of control and check should be employed by the various governments involved to ensure that the dollars remain as free and active as possible and do not end up as companions for the gold bars hoarded in so many socks around the world.

Special Automobile Tax

ACCORDING to press reports the Shanghai City Council has adopted a suggestion of the Municipal Government that a special reconstruction tax be levied on all automobiles, trucks, motorcycles, pedicabs, etc. This strikes us as a sound move on the part of the deficit-ridden city administration. Our only criticism is that the proposed levies appear to be too low. Also there seems to be no provision for increasing them monthly in accordance with the inflation.

We have long pointed out that the officials of this country have been remiss in their tax programs. The actual fact is that the National Government is collecting less taxes today than it was in 1936. That is, of course, in terms of actual values since obviously the collection figures in terms of the inflated, nearly worthless CNC are higher.

Solving of financial problems via the printing press has become a national habit; it is easier and less troublesome than collecting taxes. However, this policy has ruined the country's currency and it is doubtful if even a miracle could save the present script. Even the Government itself has finally realized that the printing presses have invalidated the currency as the Legislative Yuan has reportedly given its approval to a currency change when the "time is propitious."

The proposed municipal tax on motor vehicles runs from CNC$2,800,000 to CNC$8,000,000, depending upon the size (weight) of the individual vehicles. Smaller monthly sums are to be levied on pedicabs, motorcycles, bicycles, certain types of carts, etc. This is a step in the right direction.

There is one point, though, which should be mentioned. The municipal authorities should not fall into the all too common practice of looking for the greatest revenue from the smallest and poorest. This is a tendency widespread in China which results in the wealthy escaping nearly all taxation, while the farmer and other lower members of society bear a large portion of governmental expenses.

The taxes on carts, pedicabs, bicycles, etc. seem to us to be adequate at their present levels, but, we feel, the taxes on motorized vehicles could be raised considerably. The highest motorized vehicle tax category is the CNC$8,000,000 level. In our opinion the owners of trucks and automobiles can afford a higher monthly fee. A figure of, say, CNC$16,000,000 per month, with regular adjustments according to the rate of inflation, would be in order. We imagine that most automobile owners would be willing to pay such a sum, especially if payment meant more attention to street repairs, traffic lights, etc.

The time has come when those who can pay must pay. The country cannot continue to live off exactions sweated out of its poor and off a mythical income churned out by the printing press. Comprehensive and equitable taxation is needed.

Another Student Tragedy

PEIPING was the scene this week of the latest student tragedy into which the Government has blundered. At least 14 students were killed and many wounded after troops fired point blank into a crowd demonstrating in front of an official's home, according to press reports. It is too early to analyze this latest incident and attempt to unravel the undoubted intricacies which surround the events leading up to the shooting. However, we need to know no more than we do to be able to place the blame squarely where it belongs—on the troops and their superiors, perhaps civil as

well as military. There is never an excuse for troops or any other armed body to fire upon a crowd of unarmed students. Anyone guilty of such an act should be tried for murder.

While we cannot now go into the details of this most recent instance of official brutality, we can add it to the long list of official blunders on the student front. Since VJ Day, China's officials, both national and local, both civilian and military, have shown an almost unbelievable degree of stupidity in their handling of student problems. There is no doubt but what the students have constituted a serious problem to the Government, but there is also no doubt but what the officials, with a few rare exceptions, have attempted to meet this problem in a most thick skulled manner.

Gangs of thugs have beaten and killed students in almost every large city in China, including Peiping. Armed police or secret police have invaded dormitories in the night, arresting, killing and terrorizing youthful students and students have mysteriously "committed suicide" while detained in jail.

Proof that such methods are not needed is easy to find. Shanghai's Mayor K. C. Wu has distinguished himself by his handling of student problems in this city. While we believe Mayor Wu has occasionally been unduly suspicious of Shanghai's students and their activities, he has shown himself an able handler of disputes and, even more important, a humane and intelligent man. No students have "committed suicide" under suspicious circumstances in any of the Mayor's jails, local troops have not fired on student demonstrators, although the so-called "provocation" has probably been as great as in any other city. For instance, there was the time when a student meeting between the Mayor and student representatives ended in a melee during which Mayor Wu was knocked down and a great amount of confusion resulted. The troops, thought to be on the verge of opening fire, were reportedly halted by the Mayor's cries of "don't shoot."

We hate to imagine what might have happened in Peiping if the mayor of that city had been knocked down. If the troops in the former capital fired because, as press reports have it, the students had been shouting insulting remarks at them, what might they have done if a scuffle had occurred?

* * *

STUDENT troubles will undoubtedly continue so long as the unpopular Civil War continues and the resultant political and economic problems exist. The fact that the Government has been doing so poorly in the fighting in recent months does not enhance the students' or the general public's opinion of the present regime. However, brutal repression will not solve the problem; it will only aggravate it. Such incidents also make for unpleasant comparisons, such as how well the troops fight against the civil population in the rear and how poorly they perform when fighting the Communists at the front.

25 Years Ago In *The Weekly Review*

The Whole Job

July 7, 1923.

Whether it is the result of foreign meddling in China or whether it is due to a fault in the make-up of the present-day Chinese themselves, it is an undisputed fact that the average Chinese expects the foreigners to do the whole job of pulling China out of the hole. This attitude was well expressed in an interview with Dr. Sun Yat-sen which was broadcasted on June 21, in which the so-called democratic leader of China was quoted in the following fashion: "If the Diplomatic Corps and the people of China should put me in the President's office, I already have a plan up my sleeve." There you have the typical attitude and if this isn't a bid for foreign intervention by Dr. Sun himself then we don't understand our own language.

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Comic-Opera Affair

There has been a tendency in the United States to treat the Chinese situation as a comic-opera affair and to look upon the various provincial and tribal wars of the last decade in much the same manner as formerly was the popular American practice to regard politics in the small Latin-American countries about the Gulf of Mexico and the Carribean Sea. China is now between two deadly influences—deadly from the standpoint of the United States. These influences are Soviet Russia and Imperialistic Japan. The Shantung bandits who held up the ill-fated "Blue Express" on Sunday morning, May 6, were practically all armed with Japanese rifles, but it should also be known that every man and boy in the outlaw gang also carried a Russian dagger.

10 Years Ago In *The China Weekly Review*

A Year Ago—And Today!

July 9, 1938.

A year ago a resident of Shanghai could cross Garden Bridge into Hongkew without any interference except from traffic congestion.

Today no one can cross Garden Bridge without being stopped by a bumptious Japanese sentry who insists that the pedestrian remove his pipe or cigarette from his mouth, his hat from his head and display innumerable documents. It is not unlikely that persons crossing the bridge may shortly be required to undress in order that the sentries may make an examination for invisible tattoo marks of communistic significance.

A year ago the millions of Chinese peasant farmers were at peace and were raising sufficient for their domestic needs and some for export.

Today conditions throughout the occupied areas are desolate and unsafe and over-run with bandits and gangs which make ordinary work impossible or hazardous in the extreme. Surveys by neutral agencies indicate that agricultural production in areas under Japanese control has been reduced to a subsistence basis. Large areas about Shanghai, most intensively cultivated area in the world, are now abandoned and overgrown with weeds.

A year ago one could travel up and down the China coast from Shanghai to Tientsin on ships of any registry, stopping at intermediate ports, ordinarily with one general Chinese visa.

Today one who travels to Tientsin must possess—in addition to smallpox and cholera vaccination certificates—a Japanese visa and a landing permit issued by the Japanese Naval authorities.

Another Leap In The Military Situation

Frederick Lee
(Special Correspondent, The China Weekly Review)

DESPITE the re-entry of Government troops into Kaifeng there is no doubt that when that political center of Honan Province and most convenient threshold from North China to the Central China plain fell with lightening rapidity to the Communists on June 22 it was an event of startling nature and marked another turn in the Civil War.

Prior to the tragic fall of the city, the Nationalist Central China defense system, though seriously disrupted by Communist attritional activities in western and eastern Honan and Shantung was on the whole still intact. After the capture of Kaifeng, however, the system has been broken up, no matter whether or not the Nationalists are able to retain their grip on the recaptured city. Last April, in an address to the National Assembly, President Chiang Kai-shek openly claimed that the Nationalists would be able to wipe out the Reds south of the Yellow River within a period of three to six months. After the battle of Kaifeng, it is quite obvious that this dream did not, and will not likely come true.

Geographically, Kaifeng is the key point controlling the whole of the east China plain, including Honan, Anhuei, Shantung and Kiangsu provinces. Its loss or crippling means the disarming of Chengchow, important communication center and military depot of the Nationalists, and a menace to the defense of Hsuchow, the northern gate to Nanking. Yet the significance of that unprecedented military contest does not lie in the geographical features of the old city. Its true significance should be noted in the following respects:

Large-Scale Contest

First, it was a large-scale contest between two sides, both of which mobilized the best of their units, weapons and their knowledge of applying them in the largest campaign ever witnessed throughout the entire Civil War. In Kaifeng, the Nationalist strength was around 30,000; in the semi-circle from Chengchow on the west to Lanfeng to the east of the city, more than 150,000 heavily armed KMT men, including the famed Chu Ching-chuen Army, were on the alert; right above the city, more than 100 US-manufactured fighters and bombers were checking the Communist "quick march" toward the visible goal. On the other side, the forces under 10 Red generals were mustered for the attack on the city and for diversionary warfare to block the onrushing KMT reinforcements from Chengchow, Lanfeng and Southern Honan. One Communist motorized unit, equipped with captured American supplies also appeared on the scene.

The results of the struggle were well nigh amazing. Almost all the garrison forces in the battered city were captured or annihilated; the rich war supplies piled up in barracks and warehouses fell into Communist hands together with CNC$10,000,000,000,000 worth of new cash stored in the Kaifeng Central Bank. Men and material losses were, in short, great while the political consequences were even more drastic.

It is clearly indicated by now that the "heavy point" defense strategy devised by the Nationalist High Command after a year's bloody experience did not work out. If such a point as Kaifeng, armed with so many forces could be lost to the Communists within only six days, then other points with weaker defenses and less favorable surrounding conditions, such as Changchun, Chengteh, Kalgan, Tsinan, Paoting and Peiping, would fall the moment the Communists wanted to take them.

Change Of Strength

In the second instance, the loss of 30,000 men on the critical Central China front means another change of military strength between the warring sides south of the Yellow River. Before the series of Honan and Shantung battles recently took place, the Nationalists were fighting the Reds in Central China on a 50-50 basis. Now the ratio has become 45-55, which will of course enable the Communists to expand their activities further to the southeast and the extensive regions in the west.

An analysis of the situation in Central China at the moment clearly shows that the Communists have succeeded in stabilizing their gains between China's two longest rivers and have merged their different war zones into an almost complete entity. It may very well have been part of their plans in "building up Manchuria, controlling North China and consolidating Central China" which they believed, and may still believe, is necessary for the crossing of the Yangtze River and entering the western provinces.

In Manchuria, the Communists now hold 99 percent of the land; in North China they hold over 80 percent. And by merging the Shansi-Hopei-Chahar and Shansi-Hopei-Shantung-Honan Border Regions militarily, politically and financially last May they have accomplished an important task by tying up Manchuria, Northwest China and North China into one unit which is said to be a requirement for any attempt to plunge directly southward.

In Central China, the Nationalist western front line defending Szechuan, southern Shensi and western Hupeh was broken up by the fighting in west Nanyang early in May. In the east, the Communists linked the four war districts of Kiaotung, Pohai, Pinghai and central Shantung after the capture of the important centers of Weihsien and Changloh. It is possible that they may in the near future drive against Linyi, their former Shantung capital in southern Shantung, making an attempt to join their comrades in war-stricken north Kiangsu. After the vigorous battle of Kaifeng, moreover, the central part of the Nationalist Central China defense line was seriously damaged and this state of affairs has placed the Nationalists in an extremely unfavorable position.

Future Movements

What the Communists may attempt after having made considerable gains south of the Yellow River in the last three months might be as follows:

1. Tighten their grip around the Kaifeng-Chengchow zone with the aim of "eating away" at the Nationalist forces there. Should this come true, the Reds would gain an ideal base for linking North and Central China and directing the work of the much talked about crossing of the Yangtze.
2. Destroy the entire Tsinan-Pukow railway thus isolating Hsuchow where the Nationalist East China Headquarters is located. This would mean a direct menacing of the whole of southeast China.
3. Increase activities in the Kianghan districts (between the Yangtze and Han Rivers) which would be the prelude to entry into Szechuan.

These possible developments would run side by side with the progress of the war in the north. As a matter of fact, such possibilities largely depend on the change of the situation in Manchuria and North China which might take another turn in the not too distant future. Indications are that the Manchurian Reds will start their summer drive shortly with the Chingchow area, or the remaining part of the disrupted Manchurian corridor, as their main objective. The rivalry within the triangular zone of Peiping-Tientsin-Chengteh will be intensified while the forces under Red Generals Peng Teh-huai, Ho Lung and Wang Cheng which are also regrouping and retraining in Shansi and Central Shensi at the moment may drive a wedge into southern Shensi and eastern Kansu and thus acquire a new springboard toward the interior.

All these are, of course, mere possibilities. Whether the Reds will succeed or not largely depends on the wisdom and efforts of the Nationalist High Command. But viewed from the recent trends in the development of the war, it should be well noted that mere changes in military strategy with other factors governing the entire war remaining fundamentally unchanged, will be unable to save the critical and ever worsening situation.

Kaifeng Eyewitness

Mark M. Lu

Kaifeng, June 28, 1948.

FROM June 18 to June 22, when this capital of Honan fell to the Communists, Kaifeng was subjected to an amount of fighting which no city has as yet had to endure throughout the civil war.

For more than five days and nights squadrons of bombers and reconnaissance planes roared overhead while bitter street fighting was taking place. The population fled for safety under the strafing of the planes. The sounds of rifle fire, machine guns and large cannons continued without let-up. During all this time the people of Kaifeng found it almost impossible to sleep or eat.

On June 16, the Communists occupied Lanfeng, Kihsien, Chenliu and Chungmou, hsien cities surrounding Kaifeng. On the 17th, they drove into the southern suburbs and by the morning of the next day they commenced their attack on the city itself, from the south, east and west. The southern part of the city was lost on the 19th and the Government forces took up their second position at the Provincial Government Yamen. The firing line was just outside this writer's house. On the night of the 20th, the Communists captured the Government Yamen and the Government fled to the northern part of the city, using the National Agriculture Engineering Corporation compound as its final stronghold. By noon of the 22nd, these forces were surrounded and the Communists had the entire city. By five o'clock the terrific street fighting was completely over.

In making sure of their capture of Kaifeng, the Communists had despatched eight armies, under the command of Chen Yi, and one army under the command of Liu Po-cheng. They were well trained in scrambling over the city walls. The Government had spent almost a year in building up ramparts and fortifications on the main streets and important outlets to the city, but they were useless, for the Communists, after entering the city, scattered among the houses and pushed on by digging holes from house to house. By this method they got behind the Government troops.

Communist Posters

After taking Kaifeng, the Communists put up posters all over calling for "All people's organizations and different political parties to join together to organize a 'Joint Government'", "Protect the industries and the commerce of the nation," and so forth.

They also declared that all Kuomintang members, government officials and military men who put down their weapons and did not create any disturbance would be well protected. However, they excluded General Liu Mao-en, Governor of the province, who was sought as a war criminal.

On the night of June 20, with the capture of the Provincial Government Yamen, several high officials such as General Secretary Ma Ling-fu of the Provincial Government, Commissioner Wang Kung-tu of the Educational Bureau and others were captured. They were questioned by high Communists officers and released. Later, it was learned that they had been asked to instruct all officials to return to their positions and carry on their work as usual. This, of course, was a difficult job.

That same night, the Communists sought to arrest Governor Liu Mao-en as a war criminal. He, however, escaped to the southwest corner of the city, where he disguised himself as a wounded old man by killing a duck and smearing its blood all over his own body and then laying down in a wheelbarrow. After getting out of the city he was checked by the Communists three times. Once, when a sentry wanted to make a search, the wife of one of his bodyguards quickly requested the sentry to desist because the old man was her father and was seriously wounded. The sentry then advised her to take the old man to a hospital for treatment.

Nervous General

The Governor's brother, General Liu Chen-hua, who was the former "tuchun" Governor of Shensi and Chairman of Anhuei was taken prisoner. This retired General was suffering from a nervous disease and when talking to the Communists he pointed out that Generals Liu Po-cheng and Chen Yi are too young to lead an army and should be re-trained under him. He also felt that the Communists should retreat 30 li from Kaifeng and make him Governor of Honan. This interesting talk gave the Communists a big laugh.

The last day of the fighting, June 22nd when the Government lost its final stronghold, behind Lungting in the northern part of the city, General Li Chung-sin, commander of the 66th Division, who was in charge of the city's defense, killed himself. It is said that he also killed his son and wounded his wife. General Li and his soldiers showed good spirit during their fight to hold the city.

By the afternoon of the 25th, the Communists announced to the people of the city that they were evacuating in order to safeguard the population and they advised all government officials not to leave their posts when they return. In fact, their main force began to leave the city on the 22nd, the day Kaifeng fell.

Students Leave City

While in the city, the Communists put up placards calling for the services of college and middle school students and teachers and professors. It was learned that two batches of students went with them. One group was estimated at 500 and the other at 800. It also was reported that about 400 students and professors from Honan University went with them.

Government forces consisting of the New Fifth Army, the 68th Division and the 55th Division came into the city on the afternoon of June 26th, about 16 hours after the evacuation of the Communists.

After their return, the writer found, on a trip through the city, that the eastern part was almost intact while the remaining sections were all seriously damaged. Scarcely any house had escaped being hit by bullets, and corpses were all over the place, rotting.

All the main buildings such as the Post Office Administration Headquarters, the South gate in Nankuan, the Provincial Government Yamen, Drum Tower, Dragon Pavilion, Liang High School, a part of Honan University and others were completely burned. A number of streets were seriously damaged. An estimate of losses suffered is over CN$500 trillion. This may be too small a figure. Up to June 28, the Red Cross had discovered more than 5,000 corpses and buried them outside the city.

In making their attack, the Communists used two armies in the vicinity of Chengchow to diversify the reinforcements from the west and several armies in western Shantung to check the advance of any reinforcements from the east. They evacuated after they had taken all weapons and military supplies which, some estimates say, may be enough to equip two divisions.

During their brief occupation of Kaifeng, the Communists showed unexpected generosity and a strict military discipline which surprised the people. Although the Government army fought well it was impossible for 30,000 troops to hold off the concentrated attack of an army of over 100,000.

The German Question In France

Jacques Decaux

Paris, June 10, (by airmail).

THE German problem, discussed at length in London lately, is full of dynamite for France—and for the western world. The London parleys threw a spotlight on the modern diplomatic world and on the effects of international politics on national politics. Discouragingly enough, the way the German problem has been handled during these last few weeks reminded us of the handling of Germany after the first World War, with many similar decisions and mistakes. Parleys, nowadays, are once more based on the old-type "balance of power" and "power politics," that is: how much blackmail one nation can make another swallow without fear of retaliation.

At one point last week it was feared—that France might oppose the decisions made in London, that she would employ some sort of veto or would walk out of the conferences. However, the fear never became very real, for it was obvious to all that if the United States were antagonized by French non-cooperation she probably would cut by half her exports to France on the Marshall Plan program. We don't know whether or not this treatment was used, but we know for sure that it was felt, and strongly, by France.

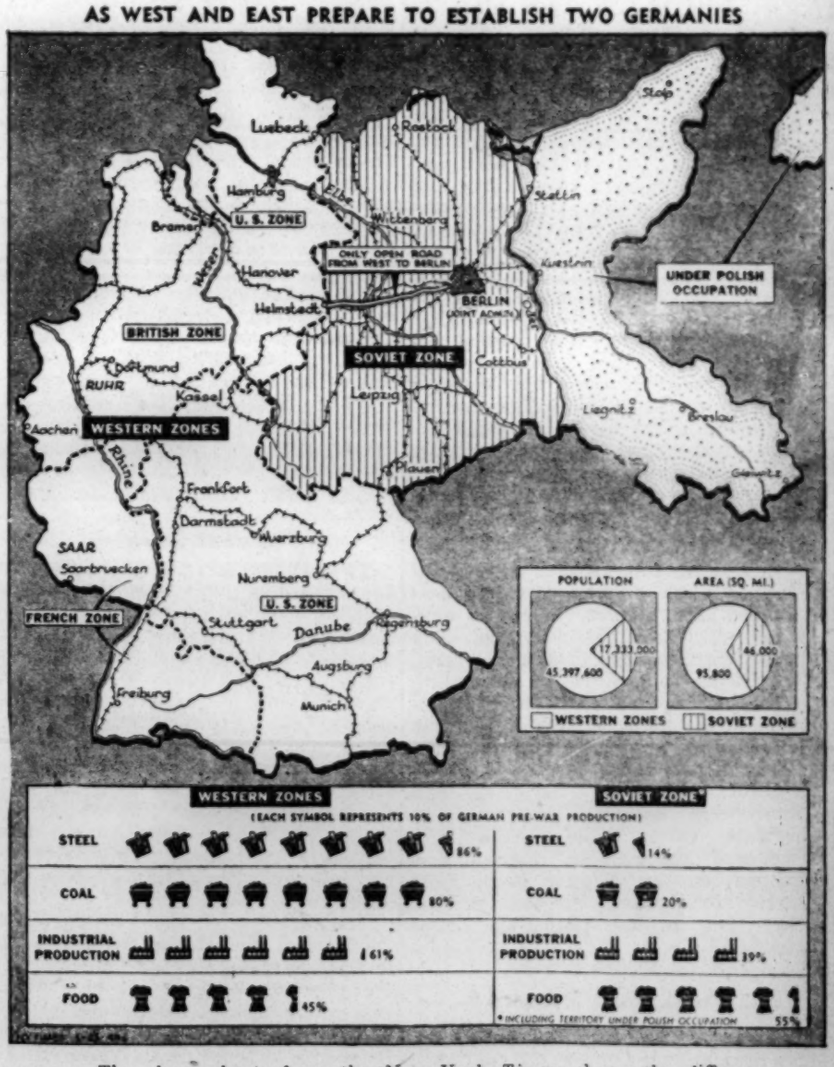
Compromise by compromise, the conference dragged on to an end. During it, we noticed a "valse hesitation" as far as communiques were concerned. A first communique was to be issued and its date was postponed. The second date of issue was also postponed. Finally it was decided that the first communique would announce to the world the end of the parleys, and that this would be followed a week later by a second which would explain the points of agreement. This second one is to be released in a few days and it is not expected to be any bombshell. Its terms—if my information is correct—will be vague enough to please anyone and everyone; it will be definite only in such cases as when complete agreement was reached.

The reason behind this war of communiques is a simple one. France has made concession after concession to America, giving away almost everything she hoped to retain. The Americans know that George Bidault is on a spot with his own people. They know that the French Parliament may very well refuse to ratify the agreements, so they term the communiques in ways which will give the least possible grounds for criticism. Moreover, the second, explanatory release will be issued on the eve of French parliamentary debate, in order that members of Parliament will not have time enough to work up strong objections.

French Position

For a better understanding of the whole problem, let us take a look at the French position. France wanted the internationalization of the Ruhr Basin. That would mean that this rich part of Germany would produce according to plans for the profit of Europe, and not exclusively for the profit of Germany. Internationalization would also mean that the Rhur could not be used by Germany to jeopardize the security of other nations, something she might attempt after the occupation forces have left her soil. Now, instead of internationalization, a system of temporary "control" of the Rhur by seven nations has been decided upon, with France having a voice in this control along with Germany. Later on, control may fall into other hands, and in the event of "changed circumstances" France and other nations vitally concerned may find that policy control has gone out of their hands entirely. Finally, the kind of control which France gets under this agreement is highly unsatisfactory to her since a military authority will make all final decisions. The French fear that this authority will be mostly American in outlook and not necessarily considerate of France's wishes.

The Western German government issue was, if possible, even less satisfying to French tastes. The English and the Americans wanted to speed up the establishment of such a government; France wanted to delay awhile . . . The Anglo-American reasons for speed have been summed up by a high British authority—thus: "Up to the present, we have been able to use only third-rate German politicians in our German governments. If we establish a real government for Western Germany, first and second-rate politicians will appear. These men



The above chart, from the *New York Times*, shows the differences between the "two" zones of Germany, the Western Zone (US, British and French occupation areas) and the Soviet Zone, as to size, population and raw material resources. For all practical purposes there are now two Germanies.

have been shunning governmental jobs in order not to impair their prestige. We must give them the opportunity to come to the fore, with full responsibility and authority." To this reasoning the French answer that as long as any sort of occupation exists the Germans will only act their part and will not really form an autonomous government, effectively responsible to the people according to democratic standards.

Reasons For Haste

Another Anglo-American reason for haste is that the status of Germany must be stabilized before the making of a peace treaty. The English feel very strongly about this because of their failures in administrating their own zone. A third reason is that the burden to American and British taxpayers must be cut; and, finally, Germany must be integrated into the Marshalll Plan and this needs coordination with a responsible German government.

The French, on the other hand, feel that haste is wrong and dangerous. Their chief reason for feeling so is that the definite establishment of a Western German government will only emphasize the split between Eastern and Western Germany. With great astuteness, the Russians have avoided this *de facto* split. By carrying through the proposed plan, the Western Powers will be giving their official blessing to Russia to turn Eastern Germany into a communist state.

Disagreement in London also concerned the way in which this German government was to be organized. The American view, opposed by the French, was that every German should vote. The French wanted the "laender" to select the representatives to the Constituant Assembly, their reason being that universal voting will promote the *Unity* of Germany, whereas election by each province will keep Germany a *federalized state*. The American view was finally accepted. When the Constituant Assembly convenes in early September we shall see all the unified political parties outbiding each other for seats—the Communist Party among them—and the CP in the Russian zone will join in to make the whose business a fine mess wherein jingoism will largely prevail. The most jingoistic (aggressive) of the lot will win, and that is bound to be the party most antagonistic to Western ideals since the German people in the Western zone have naturally become fed up with the restrictive military government under which they have been forced to live since the war. This, in turn, will mean the rebirth of the Nazi party under another name. It also means that England and the US will have to reverse their decision if they want to play safe.

French Fears Strong

French fears are strong. France's national security is at stake. She knows that, while the American occupation is only a token force, the Russians have from 50 to 60 divisions stationed only a few days' march from Paris. Actually, she would have agreed on the American decisions concerning Germany if the Americans had committed themselves to aiding France in case of aggression. What happened, of course, was that the US got French agreement anyway, and gave nothing in return. France is placed on the Anglo-American side with no certainty of being helped in case of danger, or when the occupation of Germany ends.

It is felt that the French Parliament cannot possibly accept this situation which does not take into consideration the nation's minimum needs for security. Only a small part of the Parliamentary deputies —some socialists and some popular republicans—will vote for acceptance of the agreements. Opposition will be strong, both from the Communists and the de Gaullists. By siding with the Anglo-Americans, Foreign Minister George Bidault has lost much face and may lose his job soon. He is termed a criminal by many. The only safe possibility now is to postpone as long as possible the carrying out of the London decisions until the field of international politics is more fertile.

NOTICE

REVISION OF TELEPHONE TARIFFS

The Shanghai Municipal Government has approved the following revised telephone tariffs:

MONTHLY RATES:	*With Wall Type Tel. CN$*	*With Desk Type Tel. CN$*
Business line with allowance of 100 calls per month	4,000,000	4,340,000
Residence line with allowance of 60 calls per month	2,400,000	2,740,000
Extension station on same premises	1,160,000	1,500,000

Additional messages, in excess of monthly call allowances:

	CN$
Usage between 61 and 100 (residence), per call	40,000
Usage between 101 and 200 (business & residence), per call	40,000
Usage in excess of 200 (business & residence), per call	65,000
Note: The usage of subscribers with more than one line will be averaged so that full benefit of the allowance and of the above progressive scale of charges will be given in respect of each line.	
Public Telephone Service, per call	50,000

Charges not included in the above table may be obtained by calling the Business Office of the Company.

All bills are expressed in thousands of C.N. Dollars. Therefore, please add "000" when reading bill total.

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July 6, 1948.

Report From America

By M. R. Werner

New York, June 27, (by airmail).

THE lull in politics set in almost immediately after the nominations of Dewey and Warren last week, and the country will enjoy a respite from speeches and dickering for triumph during the next three weeks.

When the Democrats meet in the same big hall in Philadelphia on July 12th, there shouldn't have to be many speeches or any dickering. Truman, their forlorn hope, is almost certain to obtain the doubtful privilege of waging the losing battle.

If Eisenhower were to accept a nomination on the Democratic ticket now, it is considered unlikely that he could beat the powerful Dewey-Warren combination, despite the General's great personal popularity. The Democratic Party is in so many pieces and animosities that there seems small chance that it can pull itself together to give Dewey and Warren even a run for their money.

Justice William O. Douglas, though his decisions and speeches indicate that he would make an excellent, progressive president, would have even less chance than Eisenhower of beating what is already being called "the coast-to-coast ticket." By 1952 there may be more of a chance for progressives. The Republican Convention made it painfully clear that progressives are now in the dark cellar of politics which the Republicans inhabited while Franklin D. Roosevelt was alive.

The Republican Convention also demonstrated that isolationism, while fighting hard and still powerful in some sectors of Republican strength, is not going to dominate the new Republican administration. The isolationists will get in their dirty work in the new Congress, for the Republican landslide which is wellnigh inevitable promises to give us a Congress that will make the antediluvian 80th look like a bunch of sansculottes.

Until we see the complexion of the new Congress after the November election, we don't know whether the Republican platform is a statement of honest principles or the vague expression of pious lies. The statements in that platform paying lipservice to internationalism and economic aid for Europe won't be worth more than a plugged nickel unless Congress and President Dewey can control their Tabers and Hallecks.

Desire For Unity

The *New York Times* wondered editorially how far Republican desire for unity was going to prevent implementation of constructive policies honestly arrived at. The *Times* sagely suggested:

"If it is to be carried far enough to conciliate those Republicans who want to whittle European aid down to a poorhouse basis, who long to maintain and raise the barriers to international trade, who object to federal aid for housing and slum clearance, who would surrender our river valleys to private monopolies, who vote for a majestic principle one day and decline to support it by adequate appropriations or tabling acts the next day, who accept the United Nations but refuse it a loan of a few million dollars for a home —if this happens, the independent voter will not be drawn into the Republican fold. Past records and convention platitudes are not enough."

It is very nice of the *Times* to warn the exultant Republicans, but it may not do much good. I think that this time past records and convention triteness, however sickening they were to many listeners to the proceedings throughout the country, are going to be enough. The independent voter is going to stay home or protest by voting for Henry Wallace or Norman Thomas, the perennial Socialist candidate, instead of for Dewey, the coldly efficient, or Harry Truman, the pathetically inept.

* * *

Congressional Actions

THE Congress that has passed has given Truman plenty of ammunition, which a more competent candidate could make good use of. It has done nothing about the millions desperately in need of housing. It has failed to subsidize much-needed public education in the states. It has shown a dangerous desire to tamper with the peacetime usefulness of our Atomic Energy Commission. It has been thwarted from acting on the protection of our civil liberties by its Southern bigots, aided and abetted by national bigots.

The passing Congress has shown its greatest enthusiasm in providing about US$13,000,000,000 for the machinery of defense. It went into conscription reluctantly and in a limited way, and it turned a deaf ear on the worried advocates of universal military service for all of our young men.

WITH reluctance and hedging and some damage to our good will among other nations, the 80th Congress agreed to ERP. Even with the cuts in appropriations, that endeavor remains the greatest financial achievement of the American people since lend-lease. If the funds provided for ERP now aren't enough to do the job, another Congress will probably have to put up more or see those billions already spent go down a gaping drain, and that wouldn't go down well politically with the public.

No matter who wins the Presidency, the next four years are going to be loaded with controversy. The division within the Republican ranks on international and economic affairs as well as the stresses and strains that have developed between this Congress and the President (which usually develop between any President and any Congress in critical times) are bound to make 1949 to 1952 years of wrangling over measures of interest to people from Indonesia to Iceland and from Poland to Peru.

* * *

Art And Fords

THE streets around the Metropolitan Museum of Art had a holiday air last Friday. It was the last day for New Yorkers to see the masterpieces of art from the Berlin museum, and 30,403 of them went to see this special show from ten in the morning until nine at night, paying fifty cents a piece for the benefit of children in the American zone of Germany. Altogether, 146,291 people since May 17 had paid to see the Botticellis, Titians, Rembrandts and others of the 150 great pictures.

When I got to the Museum on Friday at eleven, you couldn't see the pictures for the women, though some men, too, had managed to take the morning off to enjoy them. After I came out of the Museum, a taxi-driver asked me how I liked the Old Masters and said that he planned to get there some time that day himself, but that if he didn't make it, he expected to see some of them when he goes to Europe this summer.

From the masterpieces at the Metropolitan I went to the Grand Ballroom of the Waldorf-Astoria to see the New Ford, which 70,000 people visited on its opening day, last Thursday, free of charge. There was a bigger crowd in front of the shiny Ford coupes and stationwagons than there had been before the Rubens and Carpaccio. A sign told them that no orders would be taken on the premises. They watched greedily the squat, square new Fords on a turntable, and the glistening *chassis* turning before their eyes on a huge revolving shaft.

The pretty girls and handsome men sitting at the steering wheels as they were slowly carried round and round on an illuminated revolving stage didn't look alive, as did the men and women in the old masterpieces. Some of them were looking in their laps as if they were reading. It occurred to me that they might well absorb Gibbon's "Decline and Fall of the Roman Empire," for they seemed to have no future and didn't even have the satisfaction of controlling the cars on the way.

Hongkong's Principal Industries

Tyau Ching-wei

THE gradual movement southward by Chinese industry, caused by the ever-widening Civil War, has turned the spotlight on Hongkong. Chinese industries can be and For here is a safety zone to which already have been moved. With this in mind knowledge of industrial conditions in the Crown Colony becomes foremost in the minds of many business people throughout China.

In the past two years industrial development in Hongkong has been enlarged and various old factories have resumed operations while new ones constantly have been erected.

Both in scope of operations and in variety, Hongkong industry cannot be compared with that of Shanghai. Nevertheless, industrial undertakings in the Colony do cover a wide field of activities.

Cotton Weaving Industry

The principal raw materials required by this industry are cotton yarn and dyestuffs. Before the war, India supplied most of the yarn, but since VJ Day, Shanghai has been the principal supplier. Subsequently, Shanghai banned the export of yarn to the South. Early in 1947, an allocation system was introduced, and weaving factories were given quotas in accordance with their looms. For sometime, the yarn quotas granted the weaving factories were sufficient, but later in the year, there were constant interruptions in the delivery of the quota allotments, while the quantities allotted often fell short of the originally provided ones.

The weaving mills, unable to obtain sufficient yarn from their allotments, had to reply on the open market, and the increased price which amounted to about $200 in excess of the official price affected production costs to the extent of about HK$5 per bolt of cloth. In the matter of dyestuffs, however, supply was sufficient last year, while prices were constantly being lowered. Generally, a reduction of from 20 to 60 per cent was noted in the prices of dyestuffs compared with the previous year. One item, sulphur black, moreover, was obtainable at only one fifth of the cost prevailing in the previous year.

About 40,000 workers, male and female are employed by the weaving industry, the total production of which is about 7,000 bolts of cloth daily (a bolt being 40 yards long), representing a total value of HK$400,000. The principal markets are the Netherlands Indies, Southeast Africa, West Africa, Siam, the South Seas, and the Philippines.

Owing to various man-made reasons, such as control systems and customs tariffs, cloth produced in Hongkong is subject to import restrictions in many localities. The most important competition comes from Japan, while cloth produced in Canton, Shanghai, the United States and Italy must be reckoned with.

At present, Japan has less than one third of her prewar spindles, but because of the assistance of the United States, there is no doubt that Japan will register remarkable progress in this field in the next year or two. Fortunately, at the moment, the marketing of Japanese cloth in the Sterling-bloc areas is still under limitation, and an opportunity still exists for the development of Hongkong's weaving industry. The industry in Canton enjoys lower costs to the extent of more than 50 percent compared with Hongkong in such expenditures as wages, management expenses and other production items. With the exception of the quality of the raw materials and the workmanship being slightly inferior, the Canton manufacturer is the equal of the Hongkong one.

Business difficulties encountered by the industry chiefly arise from the lack of working capital which hampers development. Though there are ample idle funds in Hongkong since the war, they cannot be directed to proper industrial uses. Moreover, during the early period of reconversion, the various factories exhibited undue haste in their restoration plans, and equipment installation was not properly carried out, so that technical improvements are constantly called for.

Early in 1947, the Chinese Government proposed the issue, through the Hongkong office of the Bank of China, of industrial loans, but the plan was not adopted. Subsequently the Hongkong and Shanghai Banking Corporation did issue loans to industry but only a few undertakings were benefited.

Mention may be made of foreign orders for Hongkong cloth products, which are encompassed by very harsh terms which often lead to losses for the factories. A fall in price in the course of the execution of an order, for instance, calls for a rebate in the agreed quotations, or the return of the goods supplied. During 1947, many such instances were reported. As a remedy it has been suggested that contracts for orders should be standardized and equitable terms apply to both parties to prevent the recurrence of such unfortunate incidents.

Knitting Industry

Products from the knitting factories include singlets, socks, and towels. The principal raw material used is cotton yarn. Early in 1947, the Department of Industrial Supplies supplied yarn proportionate to the mechanical production capacity of the factories at the rate of one third of the standard requirements. Such supplies were given on condition that they would be handed out only when production was in progress. The quality of the yarn supplies, however, often varied, and could not meet the exact requirements of the various factories. When a factory had an order calling for work with 42's, for instance, the Department could only supply 20's or 32's. Manufacturing difficulties were often encountered. Under these circumstances, purchases had to be sought on the open market, at black prices. Thus production costs were raised.

Recently, cotton yarn has been purchasable from Britain, but permits are required and these are obtained only with great difficulty, because Britain is anxious to sell her yarn to non-Sterling areas in order to acquire dollar exchange. The scarcest raw materials required by the industry are the finer types of yarn, including the 80's, 100's, and 120's, which are used for the knitting of high quality underwear. The manufacturing of such items is therefore being suspended.

Business conditions in 1947 were better than in 1946. In the latter year, no official supply of yarn was issued, and all requirements had to be acquired from the blackmarket, resulting in high costs and limited markets. When the Hongkong authorities introduced yarn rations in 1947, business improved. Sales in 1947 were more than 10 times those of 1946. Even then, the present production volume is still less than 50 per cent of the highest production capacity. In other words, if supplies of yarn were fully available, the present equipment of the knitting industry of Hongkong is capable of producing twice the present volume of goods.

The principal markets are the South Sea regions, the Netherlands Indies, Southeast and West Africa, West India, the Middle East and Siam. In Singapore and the South Seas regions, production is not yet fully recovered, and the people's purchasing power is low, so that the market for knitted goods cannot be fully developed. Exchange control in the Netherlands Indies limits the market there. In Africa and India, competition from other producers is being faced, and the Italian and Netherlands manufacturers have captured the bulk of those markets because Hongkong products cost more. Production costs in Italy and the Netherlands are lower than Hongkong because of better equipment and the consequent higher production speed. Wages also affect the higher production costs in Hongkong. The Siam market is fairly good at the moment.

Rubber Industry

There are about 20 rubber manufacturing factories in Hongkong, and their products include shoes, balls, rubber bands, bicycle tires and tubes, and toys. Of these, the sale of shoes are especially large, the markets extending to both China and other foreign countries. This

industry has always held a leading place in Hongkong.

The principal raw materials required are canvas, rubber, and chemicals. The price of canvas, all of which comes from England, has risen by 200 percent since 1946 and by 400 percent since the war, while supplies also are inadequate. There is local production of canvas which costs about the same, but local manufacturers, anxious to re-enjoy the prewar preferential tariffs which call for the employment of a certain percentage of British raw materials, are all using English canvas. But there also is a scarcity of supply in England since the war, and the supply of canvas has been inadequate. There is no hitch in the supply of rubber though prices are higher compared with prewar days, but not very much different from those of 1946. Chemicals required come from the United States and Britain, and the supply is constant.

Wages paid by the industry rose from 100 to 200 percent when compared with 1946, and are from eight to nine times higher than before the war.

The industry reveals that production costs have risen to startling heights. In the case of rubber shoes, the average cost works out at 26 percent for direct wages, 10 percent for indirect wages, 19 percent for management and operational expenses and 45 percent for raw materials.

As to marketing, so far there is no other successful competitor to Hongkong. Recently, shipments of Japanese shoes arrived and were being sold at HK$28 per dozen pairs, without giving rise to anxiety. But the current year seems to have ushered in a period of competition, and seems to be the year for attempts to revive the trade in rubber shoes with Britain. Superficially, there seems a turn for the better, but many actual difficulties have to be overcome. The largest of these is the high scale of wages which affects production costs and hampers competition in the foreign markets.

Candy Ginger Industry

Candy ginger is one of China's most famed exports, and is a specialty from South China. After VJ Day, because restrictions had not yet been removed in many countries, exports could not be freely undertaken. In 1947, Britain first removed its ban on imports, but these were limited to goods packed in barrels, and must, moreover have been shipped in lots. Nevertheless, this gave the industry a chance to lighten its hardships.

The industry employs more than 1,000 workers. The principal market is Britain, followed by Holland, Australia, America and India. At present, free importation into other countries besides Britain is stlil not possible, and the annual exported quantity is therefore very small compared with prewar days. The annual export then was about 50,000 to 60,000 barrels and from 30,000 to 40,000 cases. In 1947, only a little more than 10,000 barrels and 1,000 cases were shipped.

There are 11 factories making up this industry. The principal raw materials used are ginger and sugar, while lesser materials are salt, vinegar, and the packing requirements. Ginger comes from Kwangtung, mainly from such districts as Canton, Kongmoon, Tamsui, Po Kat, Tsengcheng, and the North River area. Before the war, production was large. After the war, the farmers turned to the cultivation of other supplies. This, added to transportation difficulties, makes supplies of ginger difficult to obtain. Sugar was obtained from Japan before the war, and since VJ Day is being supplied by the authorities in rationed quantities which, however, are not large. Purchases from the black-market proved impractical. Salt and vinegar, though costing much more than in prewar days, are consumed in smaller quantities and the effects are not serious. Timber for the barrels comes from the United States and Canada, and supplies have been maintained. The urns and pots come from China, including Kiangsi and Kwangtung, and transportation difficulties have brought about an increase in costs amounting to from eight to 10 times the prewar levels.

Business difficulties have been caused by the limited markets and the hardship experienced in obtaining raw material supplies. At present, prewar conditions are far from being restored.

For the acquisition of foreign markets, the industry is planning an improvement of its products, and the use of mechanical power in manufacture, so as to hike production. Two representatives are being sent by the industry to participate in the Federation of British Industries Exhilition in England to publicize the product. The delegates will also travel to the United States to seek markets. Plans are also being made to acquire greater facility in supplies of raw materials.

From this brief analysis of some of the different types of industry prevailing in present day Hongkong it can be seen that, while many difficulties and obstacles confront business there, the very fact that in comparison to so many parts of China, industry can function and expand is of no small interest to members of China's industrial community.

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A Free Market Can Help

J. R. Kaim

IT has been said on various occasions that no genuine commodity price control is possible in this country. Taking the fact for granted that this is so, one obviously must try to find other means to correct the market and to check inflation and it seems that under prevailing conditions the best remedy still would be an increase in supplies. That this would be no panacea is a matter of course and the shortcomings of a sudden increase in imported supplies certainly are well known.

Comparatively large quantities of domestic products continue to be smuggled out of the country, the reason being that in spite of the rapid official devaluation of the national currency, black rates still are higher. Let us presume, however, that all commercial exports would be carried out legally, that there would be no smuggling of valuable cargoes and that the Central Bank would obtain all the foreign exchange derived from exports: even then, probably, exports would remain comparatively limited and their proceeds could not equal the amounts needed for imports.

Many Chinese products are in demand abroad. But domestic production has declined to such an extent that prices might be too high even if there were no "jet propelled inflation," as the London Economist characterizes the present speed of money inflation in China.

On the other hand, China still has tremendous national reserves. Estimates as to the amounts kept abroad diverge widely but even the lowest estimate still reveals impressive figures. It goes almost without saying that suggestions to seize such holdings abroad, as brought forward recently by a group of Nanking legislators, are far from being practical: when warned that something may happen in this respect, holders of such assets probably did all in their power to camouflage their accounts or to invest in American securities.

Freed Exchange Market

However, if such assets would not be jeopardized—in the eyes of their holders—it is almost certain that part of them would be used for commercial dealings with or in China itself. This can be achieved only if foreign exchange markets are freed from the present forms of supervision and if holders of assets abroad can be sure that business will go on.

To such assets can be added the many Chinese and other remittances which, under prevailing conditions, are sent through and handled on black markets. No estimate as to their value is possible, of course, since for many, many months the bulk of such remittances has been sent through dark channels. But the total amount certainly will not be trifling.

It is also a known fact that many Overseas Chinese prefer to ship goods to their friends and relatives here instead of simply remitting money. This, too, would increase the supply in commodities and would help to normalize prices. Both the remittances and the shipping of goods paid for by indirect remitters also would aid in stabilizing—at least to a certain extent—the currency and would regain some of the lost public confidence in the legal tender.

For, there is one point which no legislator and no financier should overlook: even a completely new currency would be endangered by a lack of confidence resulting from the failure of most of the recent regulations. The very fact that in spite of manifold and frequently revised regulations, restrictions and laws the financial position has deteriorated rather than improved is largely responsible for the rapid decline in confidence in a manipulated finance market and, therefore, in the legal tender itself. If a new currency would be issued and the present regulations and restrictions would prevail, its fate would soon be similar to that of the national currency in 1948.

Rapid Deterioration

As restriction of supplies from abroad has brought about a rapid deterioration, it is evident that more restrictions cannot result in improvements. No case is known in the world's economic history when larger supplies failed to bring prices down. Practically, also the authorities' recent decision to open an all-out drive on godown hoarding in Shanghai is based on nothing but the idea that by offering hoarded goods on the general market one can force prices down and diminish the speed of inflation. But certainly one cannot by such and similar actions stop the inflation itself.

Bigger supplies by unshackling trade from its present chains and by utilizing holdings abroad, apparently is the only way out of the present dilemma. It is one of the few means that may do the trick in spite of the Civil War and all it stands for.

When the authorities here sent out five thousand agents to control godowns and to find hoarded goods which were to be sold almost immediately, the idea, probably, was almost the same, namely, to increase the supply. But such an increase would be taken from goods already in China and as import restrictions remain unaltered, it may be doubted that in the long run the system can help. On the contrary, no matter the reason why such stocks were piled up, they represent a reserve which now is to be used up.

This does not mean that by luring "hoarded" goods out of the warehouses one cannot force prices of such goods down. One certainly can. But there can be no doubt that prices will not remain on the same level and there is little doubt that shortages will be felt some time later. It may happen then that prices will advance still faster.

Premiums Increasing

There also remains the question as to how to replace imported cargo when prices are supposed to be "normal". With premiums paid for Exchange Certificates increasing every week and the price of import dollars, therefore, gaining rapidly, no dealer can calculate with today's rate. Last week, the price of Certificates occasionally went up by CNC$120,000 within less than an hour: how then can any dealer base his calculation—in terms of National Currency—on the price he paid several days or even weeks before the arrival of his goods?

Even the most reluctant and cautious observer must admit that in spite of many new regulations and restrictions, China's trade and finance position has deteriorated drastically. By sticking to the official rate of CN$480,000 for one US dollar, the Central Bank adheres to a calculating unit that can aid neither the Bank nor trade; in reality, the rate traders are bound to reckon with is the above official price plus the Certificate premium, a complicated system indeed and the outcome of which remains doubtfull.

While thus traders cannot foresee future prices—in terms of National Currency—they do not depend on competion either. With imports restricted and "hoarding" prohibited, what else can a dealer do if not sell fast at the highest price he can get? And he can charge high prices because competition is extremely limited and occasionally almost nonexistent.

Throughout the world, there has never been any kind of hoarding as long as businessmen were sure of further supplies. Certainly, traders have their warehouses for piling up cargoes which they import at the cheapest rates which they try to sell when prices are favorable. This certainly is normal trade even in normal times. However, when importers and dealers cannot foresee when the next shipment may arrive, when they depend on quotas and

"TOP-DRAWER STUFF"

The above cartoon depicts the American Congress attempting to pry open some of the tightly guarded secrets of the present administration, as represented by President Truman.

licences, on swiftly altering exchange rates and frequently revised regulations, they will try to hoard.

Moreover, with the State competing against commercial trade and large portions of both imports and exports handled by Government concerns, private businessman are faced by so many difficulties and uncertainties that they will tend toward speculation rather than normal commerce.

If exporters were permited to buy abroad for the proceeds of their shipments, matters certainly would alter drastically—providing that apart from a short list of prohibited goods they were permitted to buy whatever they want. But as matters are at present, legitimate exporters are at a loss whereas smugglers are able to show splendid results. Businessmen presume that even long, round-about ways fail to do the smugglers any harm; the difference between official and black rates still offers them marvelous opportunities.

It goes without saying that China's exports are far bigger than indicated in official statistics. Exchange Certificates, however, are derived from legitimate exports only and the amounts offered in the form of Certificates, therefore, are but a fraction of what would be available if the proceeds of all exports were at the disposal of importers.

To the authorities concerned all this certainly is no news. If they would decide to take the consequences, they could improve the exchange situation, improve the supply in essential goods and offer trade and finance the possibility to use their own forces.

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The Week's Business

RESULTS of the rapid and drastic devaluation of the legal tender again were felt last week (ending July 7) when the rice price was fixed at CNC$20,000,000 per picul for first quality products. At the same time, the premium paid for Exchange Surrender Certificates was around CNC$1,980,000 so that one import dollar cost about CNC$2,480,000, compared with CNC$800,000 at the beginning of June.

While the authorities continued to control markets, businessmen were not eager to sell at prices which they considered detrimental. They also made it clear that some commodities, including several imported basic industrial materials, have advanced in price less than the Certificate premiums. They mentioned certain industrial chemicals and dyestuffs as typical examples.

Businessmen also made it clear that despite the rapid increase in Certificate quotations—and that means in official exchange rates—black quotations continued to be above the former; this state of affairs, they explained, continues to induce certain exporters to ship cargoes clandestinely.

In fact, manufacturers last week were able to prove that they could obtain for their products higher prices locally—calculated at official rates—than on foreign markets. The only explanation apparently is that the respective buyers do not calculate on the basis of official rates but on that of black rates. In other words, such goods must have been bought with a view to smuggling them out.

Merchants, furthermore, expressed their conviction that deplorable as the recent price developments may have been they are not amazing by any means. As the premiums paid for Surrender Certificates have increased around 400 percent in the course of June, the originators of the plan must not be astonished to see commodity prices advance in concert dealers explained. The State, they said, has sanctioned the rapid devaluation of its legal tender.

While the authorities last week issued several regulations with a view to hampering the influx of idle funds, bankers explained that the increase in Certificate premiums—which they believe has prompted the recent price advances—has nothing to do with the influx of idle funds. Certificates can be bought only by legitimate importers and can cover merely the amounts in foreign exchange granted to them by The Central Bank in accordance with import licences issued by the Import Board.

During the week under review, the police also prohibited dealings in so-called local foreign shares. While the new regulation brought about further limitations for would-be investors, brokers opined that the police were doing more than they had been asked by the Government. The police, on the other hand, referred to a Government regulation issued at the end of June stipulating that dealing in shares whose face values are expressed in terms of foreign currencies is to be considered prohibited. Many of the local stocks dealt with outside the Stock Exchange, however, have their face values expressed in terms of CN currency.

Business was little impressed by a decision reached by the Shanghai Garrison and the City Government to send out five thousands agents to investigate local godowns. Holders of goods will be obliged to sell them within three months, while at the same time it was ordered that all market transactions which are not carried out within two days will need special permission to be carried out at all.

While businessmen doubted that the new method can bring about any actual improvement, they also explained that if the authorities adhere to the new regulations, Shanghai's warehouses will soon be emptied. As further supplies are hardly available, at least not through legitimate channels, and as import restrictions remain unaltered, traders foresaw an increase rather than a decline in the speed of inflation.

Meanwhile, premiums paid for Exchange Certificates reached CN$2,010,000 for one US dollar so that one import dollar cost CN$2,500,000 compared with CN$480,000 by the end of June. The actual exchange rate thus has increased more than 400 percent in the course of 40 days.

Quotations

Stock	June 29 CNC$	July 7 CNC$
Wing On Textile	5,230	7,000
Mayar Silk	—	332
Commercial Press	2,020	2,750
Wing On Co.	1,400	2,200
Ewo Cotton	10,500,000	—
Bond C	610,000	1,010,000

Commodity	June 30 CNC$ (omitted 000)	July 7 CNC$ (omitted 000)
Wheat Flour	—	—
White Rice, first	—	20,000
Peanut Oil	—	—
Raw Silk "C"	12,200,000	1,390,000
Jap. Rayon	1,052,000	1,192,000
Cot. Yn. (42)	830,000	1,000,000
Cot. Yn. (20)	800,000	800,000
Cautic Soda	420,000	470,000
Koo Kan Soap	32,500	36,000

US Magazine Roundup

The Nation

MAXWELL S. Stuart writes* of "The Nanking Assembly Farce" and makes a few predictions as to the political, military and economic future of China in the May 8, 1948, issue of *The Nation*. Dealing first with the National Assembly, he says: "If democracy is defined as an orderly procedure for popular government, the Assembly was far from democratic. The people were not represented. Few participated in the elections, and in many places the returns were thrown out and political appointees substituted for elected delegates....

"Yet if democracy is regarded merely as an expression of popular unrest, Chiang must have found the Assembly sessions uncomfortably democratic in spirit. All the criticisms of the Nanking regime contained in the original report of the Senate Foreign Relations Committee ....were made far more effectively by KMT members on the floor of the Assembly. The net result, it should be added, appears to have been close to zero. Although Chiang gave way on a few minor points, he showed no intention of making any fundamental change in policy."

Mr. Stewart goes on to describe the actual Assembly sessions which were climaxed by the election of Gen. Li Tsung Jen as vice-president, saying that they were characterized by a "farcical atmosphere" and continuing with the thought that "amusing though these events may be, the setback to Chiang, whom the Assembly had just elected unanimously to the presidency, should not be regarded lightly. Face is so important in China that a man is rarely attacked directly. Even indirect opposition to a man of Chiang's standing is extremely rare. General Li would not have openly opposed the Generalissimo on so important a question as the vice-presidency unless he had been assured of powerful support. Oddly enough, this came from both extremes of the KMT. As a former liberal leader of the Kwangsi clique Li had considerable aid from intellectuals and left-wing groups. The support which counted, however, came from powerful provincial war lords dissatisfied with Nanking's handling of the civil war....

"The existence of this powerful opposition gives political significance to Li's election. If Chiang were overthrown by a KMT coup, the vice-president might be expected to take power. And there is little doubt that the Communists would be more likely to enter into peace negotiations with Li than with Chiang. Thus in the person of Gen. Li we have, for the first time in many years, a potential successor to Chiang Kai-shek."

Stating, however, that "Li's liberal background should not lead Americans to imagine that he would provide the moderate leadership which Secretary Marshall has declared to be essential in China," the author cites Li's "dictatorial" methods of handling the Peiping student demonstrations to support his statement and continues: "Under these circumstances it is scarcely surprising that the KMT's prestige among educated Chinese and the population which looks to them for leadership has sunk to the vanishing-point.... The present turbulence (in China) is a clear sign that a profound political and social upheaval has begun. The basic forces at work are internal and not of foreign importation. Efforts on the part of groups in the United States, particularly in the Republican Party, to form an American policy toward China molded on European parallels is not only dangerous but on the current evidence almost certain to fail. The Chinese, as a sage has observed, are a peculiar people. They like to run their own affairs.

* * *

United Nations World

IN the April 1948 issue of *United Nations World* Francis W. Carpenter interviews Dr. Ting-Fu Tsiang, China's chief delegate to the UN, on several problems of world interest. Though anti-Communist (in China), Dr. Tsiang is a determined nonbelligerent in the cold war. Neither Russia nor America, he contends, has solved mankind's problems.

I. *Is a solution possible in Palestine? If so, under what conditions?*

"My reaction to the Palestine case has from the beginning been that there must be a solution by *agreement between the Jews and the Arabs*. If this *agreement* is impossible, then I must reach the conclusion that a *solution* is impossible."

II. *What is your opinion on the cold war between Soviet Russia and the Western Powers?*

"The ideological war is the biggest question of the 20th century. We see that the conflict is getting us nowhere. To reach a solution, all people must make up their minds to respect the ideology of others. That is what ended the religious wars. After the Thirty Years War the world settled down to a gentleman's agreement recognizing the various sects and religions. It is all right for a man to say a good word about his own church, for example, but he must not say bad things about another church. That is what starts the trouble.

"We must not repeat the Thirty Year's War. We must arrive at a final solution in a shorter time. And it is impossible to maintain that the world must accept *one* system. After all, the United States and Soviet Russia have not exhausted the wisdom of mankind."

III. *Is American Aid to China sufficient? What about communism in China?*

"As to the Chinese communists, there is a legend here in the United States that the Chinese communists are unlike communists elsewhere—that they make up a people's party. It is true that the Chinese communists soft-pedaleled the class struggle during the war, just as the communists did everywhere. But Americans should not base a legend of democracy on that. Today the Chinese communists have reverted to their more fundamental thesis, and they do not differ from other communists elsewhere. If the Chinese government had accepted the argument of General Stillwell, who wanted to give the communists lend-lease material, China now would be another Yugoslavia.

"Communism in China began as a revolt in the Chinese army. It did not start as a class struggle. It is a remnant of the old warlord fighting. The Chinese people want peace. They do not want war. Yet so many are so poor that they join the army of any war lord for a few dollars a month.

"American aid to China on the military side is grossly inadequate. On the civilian side we can barely get along. We need particularly rifles, rifle bullets, machine guns, and heavy air equipment. Tanks are no good to us, they would bog down in the mud.

"Tell Americans not to indulge too much in lecturing us. Americans always appear to have the idea that they can run a country better than its natives."

* * *

New York Times Magazine

"IT would be desirable for the Japanese reparations program, and indeed for the whole future development of the Japanese economy, to be related to the entire program for the reconstruction of Asia. Recently a number of leading men have referred to Japan as 'the workshop of Asia.' It is true, of course, that Japan has reached a stage of industrial development considerably higher than her neighbors and that her people are highly skilled. It would be foolish not to take advantage of that skill and capacity. But what is needed is not one workshop in Asia, but many—not only Japan, but China, India, the Soviet Far East, the Philippines and other areas, to varying degrees depending on the availability of supplies of raw materials."—Herbert, Evatt, "There is the Pacific Also," *New York Times Magazine* for April 4, 1948.

NEWS OF THE WEEK

"Drastic Reorganization" Of KMT Seen; Bilateral Agreement Signed

IN view of the present crisis facing the country, President Chiang Kai-shek is reported to be considering summoning a Kuomintang caucus some time this month to plan "drastic reorganization" of the party. According to well-informed circles, outstanding features of the reform plan are to abolish the existing party control system and to institute a fresh enrollment of party membership.

It is predicted that the convocation of the reorganization caucus will mark the eruption of many years of intra-party clique conflicts. A *UP* story dated July 2 from Nanking had something interesting to say on this question:

"At present, the CC Clique and the Political Science Group are controlling the party and the government is maneuvering to maintain their power. Kuomintang progressives on the other hand are attempting to oust them and pave the way for a new deal.... Following dissolution of existing control machinery a new committee will be elected to take over the powers of the Central Executive Committee.... It is believed that President Chiang Kai-shek, who will direct the party reorganization, will follow the majority wish as to what form the reorganized party should take. He is not expected to throw his personal weight behind any clique. A realignment of cliques is likely to come out of the reorganization with new faces installed in the controlling positions, as demanded by most members. The reorganization is expected to be the most drastic since 1924 when the Kuomintang underwent its first thorough reform under Dr. Sun Yat-sen."

Meanwhile, rumors were persistent that President Chiang is going to summon his top-ranking field commanders to an important conference to make an all-out review of the current military situation throughout the country. It is said that the recent fighting in Honan and the President's personal visit to the front have impressed upon him the necessity for overhauling the Government's fighting machinery and strategy.

* * *

Intra-Yuan Dispute

A SERIOUS dispute occurred between the Legislative and Control yuans with the result that the latter, barely one month old, suddenly went into recess on July 2. The decision to suspend its current session until the dispute is settled was adopted by the indignant members of the Control Yuan by 85 votes out of 119.

The dispute arose when the Control Yuan, drafting its organic law insisted it should have the power to draft legislation or at least the power to propose legislation to the Legislative Yuan—a stipulation which is nowhere mentioned in the constitution and, therefore, strongly opposed by the Legislative Yuan.

In deciding to suspend business the Control Yuan maintained it had been overruled by the Legislative Yuan and claimed that under such conditions they were unable to carry on with their normal duties.

A request has been made to President Chiang Kai-shek to convene a meeting of the five Yuan presidents to arbitrate the present squabble between the Legislative and the Control Yuan. It is generally believed that the matter will be ironed out without much difficulty.

* * *

New Budget

PREMIER Wong Wen-hao appeared before a special session of the Legislative Yuan on July 2 and presented the Government's budget for the second half of this year. The special session, from which reporters were barred, was convened to prevent public knowledge of the budget figures, as it is feared that they would further boost the market prices which have already skyrocketed to a degree the Government is no longer able to control. Estimated disbursements are reported to be totalling more than CNC$920,000,000,000,000, leaving the Government nearly CNC$500,000,000,000,000 in the red.

Of the estimated disbursements, 70 percent is listed as a special expenditure to finance the war against the Communists and 30 percent is earmarked for ordinary items.

It is interesting to recall that reports in the Chinese press told of a "scene" between Finance Minister Wang Yun-wu and Minister of Audit Hsu Kan. According to the story, Hsu described the budget figures submitted by Wang as "unrealistic" and walked out of a meeting of the Executive Yuan, saying "I quit such a government." However, this storm in a teacup was soon forgotten and the two ministers made up.

An official release issued by the Secretariat of the Legislative Yuan pointed out that the important points about the new budget may be summed up as follows:

(1) Ordinary expenditure is expected to be well covered by taxes and revenue, which may even exceed disbursements.

(2) Special expenditures will be defrayed by the sale of Government-owned properties and materials and by other methods.

It was further disclosed that at the special session many legislators advised the Government not to increase the note issue.

* * *

Bilateral Agreement

FOLLOWING weeks of involved negotiations, a Sino-American bilateral agreement was formally signed in Nanking on July 3, just 24 hours before the Washington-set deadline. United States Ambassador Stuart emphasized the "desire of the people of the United States to help the people of China help themselves to achieve a position of peace, prosperity and human dignity" and that the agreement provides "assistance to China in its struggle to regain normal life."

Chinese Foreign Minister Wang Shih-chieh on his part expressed his "heartfelt appreciation" to the United States for granting aid and added "I will do my best to see to it that, on our side, the Chinese Government will show its sincerity in executing its part of the program."

The agreement included the basic document similar to the agreements between Washington and the European Recovery Program nations comprising 12 articles—a short annex detailing safeguards to the aid administration and an exchange of notes between Foreign Minister Wang and US Ambassador Stuart, stipulated "the most favored nation treatment" for territories occupied by the United States Army.

The agreement is valid until June 30, 1950, and will be formally filed with the secretariat of the United Nations at Lake Success. The main provisions of the agreement are the following:

(1) Most of the funds are in the nature of a gift from the United States to China "according to mutual understanding."

(2) The funds will be available for 12 months while the agreement terminates June 30, 1950.

(3) The United States reserves the right to terminate the provision of "gift" funds.

(4) China undertakes to make use of the natural and financial resources and assets in the United States belonging to Chinese nationals to adopt measures for the creation of more stable currency conditions, to promote production and improve conditions of foreign trade. China will also fully inform her population concerning the operation of the American aid program.

(5) The Chinese currency accruing from the sale of commodities furnished under the program shall either be withdrawn from circulation to stabilize economy or plowed back into rural and industrial rehabilitation projects.

Delicate Questions

IT was revealed that in the course of the negotiations several delicate questions were raised. One was the inclusion of Japan and South Korea in the category of United States occupied territories and thus eligible for "the most favored nation" clause. China balked and was finally exempted from this clause.

The exact extent of American control of the funds was another delicate subject since the Americans were determined to wield a virtual veto to prevent recurrence of UNRRA experience and to conform with the pattern set by the successful China Relief Mission which has just wound up its activities.

In addition, it was disclosed that American businessmen in China were keenly interested in securing guarantees that they would be recognized as legitimate participants in administering the aid and this was one point stressed by the American negotiators.

According to well-informed circles, all these delicate issues were eventually straightened out, to the satisfaction of the Americans and Chinese alike, as evidenced by provisions in the agreement.

A State Department spokesman, however, pointed out the existence of major differences between the European and the Chinese ECA agreements. One of them is that the United States will have an equal voice in the distribution and processing of ECA goods which China receives. Article IV stipulates that "all commodities provided by the United States Government pursuant to the agreement shall be processed and distributed in accordance with the terms and conditions agreed upon from time to time between the Chinese and US Government" and that "the Chinese Government, in consultation with representatives of the United States will take all appropriate steps designed to achieve fair and equitable distribution."

It is further pointed out that Article 111 pledges China to try to improve commercial relations with other countries by, among other things, improving the conditions affecting the carrying on of foreign trade by private enterprise in China, and by creating "fair and equitable" import and exchange relations. This is subject to United States review, and it is hoped by United States business interests that it will relax vexing controls which presently inhibit trade. It is stressed that neither this article nor Article IV is included in the European agreements.

Another section which is only in the China agreement is that providing for an exchange rate to be determined jointly.

Another provision in the agreement pledges China to locate assets owned by Chinese nationals in the United States. Some United States observers regarded this as an important clause in view of the frequent reports that Chinese nationals have large holdings in the United States.

* * *

Tito Under Fire

THE violent attacks launched by Communist Information Bureau on Marshal Tito of Yugoslavia have aroused much speculation. Some political observers see in it a split in the Soviet bloc, and predict that Tito will look to the West. Tito was accused of straying away from Marxism and embarking on a nationalistic anti-Russian policy, thus placing himself and the Communist Party of Yugoslavia outside the family of world Communist parties. The accusations were branded by Yugoslav Communist leaders as "lies and slander."

The Yugoslav Communist organ Borba wrote: "As far as our stand toward the imperialists, our friends and enemies know that the policy of Yugoslavia, as part of the forces of world democracy against the imperialist camp, will not change one bit." Communist leader Milovan Djilas also stressed: "We know the USSR will not, and cannot, abandon Yugoslavia in its relations with the imperialists." He called Russia's anti-imperialist policy as a "realistic factor in today's relations."

It is interesting to note that despite the exchange of strong words between Yugoslavia and some of her Communist neighbors in the Balkans the Yugoslav Government so far has not displayed any tendency to flirt with the West. Yugoslav Communist leaders stressed their devotion to Soviet Russia and the Yugoslav Government is reported in the press to have extended its support to the Soviet stand on the German question.

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AMERICAN PRESIDENT LINES
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What US Papers Say

THE selection of the Dewey-Warren combination as Republican presidential and vice presidential candidates in the November US election was generally commended in the US press, some papers regarding it as an indication of greater unity within the Party and as a defeat for "isolationist" elements. Other topics discussed included the Berlin crisis, the Tito-Cominform split, developments in Korea, and China aid.

* * *

Republican Nominations

THE *Richmond* (Virginia) *Times-Dispatch:* "It is encouraging to note that the nominees are both members of the 'internationalist' wing of the party, and that the isolationist group failed to win either place on the ticket. . . A word of caution needs, however, to be sounded. . . Undoubtedly there is still a substantial element of Republicans which would like to carry the country back to isolationism as rapidly as possible. Dewey and Warren should give the people firm assurances during the coming campaign that, if elected, they will use all possible efforts to prevent any such disaster."

The *Louisville* (Kentucky) *Courier-Journal:* "Warren will appeal to the great central block of independent voters who do not blindly follow a party label."

The *Detroit News:* "The choice of Warren. . . means that the nation is moving toward absolute political unity on the one great issue. The Republicans have given a clear verdict. Within the party, there will be no compromise with isolationism."

The *New York Herald Tribune:* "It is a long time since the Republican Party, or any party, has achieved a platform as able, combined with a ticket as well-balanced, as those approved at Philadelphia. With the naming of Warren for the vice presidency, this convention has rounded out an extraordinarily efficient job."

* * *

Berlin Crisis

SOVIET action in cutting off shipments of food and the flow of power to the people in the Western-occupied zones of Berlin is interpreted by the US press as being part of a continuous Soviet campaign to force the Western powers to leave that city.

The *Baltimore Sun:* "Short of war, the Russians cannot compel the personnel of the three other occupying powers to withdraw. The real victims of the Russian campaign are not the other occupying authorities but the Germans who inhabit Berlin. This is the Achilles heel of the Russia campaign of expulsion. For the Russians seek to pose as the friends of the German people, their champions and protectors against exploitation by the Western powers. This they cannot do effectively, in Berlin at any rate, so long as the Berliners themselves are the victims of their policy."

The *Philadelphia Inquirer* said in part: "Nothing could be more convincing proof of the Soviet disregard for its pledged word than the crude pressures being exerted upon the Germans to drive the Allies from Berlin. The Soviets agreed to four-power control over Berlin, while all the Allies worked toward reviving a united Germany without the power to launch new aggressions. Four-power administration has been a farce for months, and the Russian moves indicate that they are now ready to terminate even the appearance of cooperation."

* * *

Tito-Cominform Split

THE denunciation of Marshal Tito and other Yugoslav Communist leaders by the Cominform for deviations from the "Marxist-Leninist" line is viewed with reserve by most US papers. Editorials point out that the world has been given a glaring demonstration that the Soviet leaders refuse to allow Communists anywhere any policies not previously formulated in the Kremlin.

The New York Herald Tribune: "The Communist newspapers in Bucharest, joining in the attack on the wayward Yugoslav comrades, note that 'without Russia's help, the people's democratic regimes in Yugoslavia, Rumania, Bulgaria, Poland and other countries would not even exist.' It is only in times of crisis like this that one gets such a frank admission from the Communists. This is the truth as far as every one of these countries is concerned—with the possible exception of Yugoslavia. And it may well be the fact that Tito believes he won power by his own efforts, which accounts for his independent attitude.

The *Richmond* (Virginia) *Times-Dispatch* mirrored the reserve of many papers when it observed: "Analysis must be qualified since censorship, suppression of news, and distortion of news by the source—all parts of the Communist technique behind the iron curtain—make a non-speculative appraisal impossible."

* * *

Korea

THE *Dallas Morning News*, commenting on Korean land reform, said in a recent editorial: "The Military Government Journal for June has an interesting account of how the occupation authorities of Southern Korea have tackled land reform for the relief of tenant farmers. For two years the occupation command has insisted that Koreans institute reform, but nothing has been done. So the Military Government stepped in and did at least a starting job on the problem.

"Under Japanese occupation, tenancy among farmers mounted to include between 75 and 80 percent of all farmers. A rather large area of Korean land was owned by Japanese. A search of land records revealed these holdings, and they were offered for sale in small tracts to Korean tenants. It is stated that no tenant offered a chance to buy land has declined to buy.

"Sales are on a 15-year payment basis, in farm products and not in money. It is figured that a farm ought to be worth about three average annual crops from the land. Accordingly, the annual payment asked is 20 percent of agreed annual yield of the land. Since this 20 percent annual installment is less than the rentals that usually are asked in Korea, every tenant is ready to buy."

A *New York Times* editorial said in part: "Korea is an entirely different problem from that of Germany and Japan. It was not an enemy country. Its people were not enemies of the Allied powers. If it now has two "governments" the fault for that situation is clear. In South Korea, a government is being formed as a result of free election conducted under the auspices and watchful eye of the United Nations. In North Korea, there is a "government" unilaterally set up by the Soviet Union. Which is the legal government before the world? The answer is clear."

* * *

China Aid

THE *Christian Science Monitor*, in a recent editorial on aid to China, declared that close American supervision over aid expenditures was necessary since "the great problem. . . has been to make sure that the aid got to China and not merely into the pockets of smart Chinese officials." It pointed to the CRM rationing system and relief projects in Kwangtung and Kwangsi Provinces as examples of successful and effective foreign supervision. The paper continued:

"Yet American supervision, which alone can keep large-scale aid from degenerating into an orgy of corruption, is itself vastly unpopular. Not only among reactionary officials deprived of customary squeeze, but among ardent patriots of all sorts who resent American control as 'imperialism.' Large numbers of university students are refusing their rations in protest against U.S. Far Eastern policy. Americans in China put little faith in any attempt to underwrite Nationalist China's economic recovery and military victory."

What Chinese Papers Say

CHINA'S concern over Japanese recovery under the protection of the United States, which led to considerable agitation and controversy during the past few weeks, was manifested in a different form last week. The Chinese press, as well as the Control Yuan in Nanking, discussed the possibility of an early peace conference in which the Japan —and probably the entire Far Eastern situation, as far as China is concerned—may be solved once and for all.

* * *

Jap Peace Conference

Typical of the editorial clamor for an early Japanese peace conference was that voiced by the *Shun Pao*, one of the largest Kuomintang-supervised Shanghai newspapers, which, after deploring the passing of three long years since VJ Day without a peace conference, said: "In the interest of the Far Eastern nations concerned, the peace conference should be held, and the peace treaty concluded, at the earliest possible date."

A summary of the editorial went on:

The main cause of the current deadlocked situation in the Far East is that the United States and Soviet Russia not only hold divergent views on the Japanese problem, but have their respective axes to grind. The first Allied nations to suffer from these differences of views between the US and Russia are the Far Eastern nations which were the victims of Japanese aggression, especially China. Moreover, seeing US policy toward Japan being rapidly changed and Japan's efforts at recovery making steady progress, how can we help feeling keenly that the recovery of Japan will be a menace to the peace of the Far East and to the security of our country? It is because of this that some Chinese have voiced opposition to US aid to Japan. It is also because of this that both the Government and people of this country advocate that the Japanese peace conference be held, and the Japanese peace treaty concluded, at the earliest possible date.

Even if the people of the Far Eastern nations can be made to understand US policy toward Japan, it would be impossible to make them refrain from opposing the recovery of Japan, as it is bound to threaten their own security. If the US does not respect their views and their wishes, she will probably become isolated diplomatically in the Far East. If only a Japanese peace conference can be held in accordance with the provisions of the Potsdam Declaration and if only a just and fair Japanese peace treaty can be concluded, not only will it become unnecessary for the US to continue to assume sole responsibility for control of Japan, but there will be no more dispute between the Far Eastern nations and the US over the Japanese problem. Why doesn't the US take such a course which will be beneficial both to herself and to others? We urge that the US diplomatic authorities give this matter careful consideration."

The *Sin Wan Pao*, however, believed that China "should not let the opportunity slip and should immediately propose that a preliminary conference on the Japanese be convened immediately. This proposal, the paper said, could include three points:

"(1) That the preliminary peace conference be participated in by the 11 Far Eastern nations, with the Big Four retaining the veto right.

"(2) That the conference either open on August 10 or September 2, because the former date will be the third anniversary of Japan's unconditional surrender and the latter date will be the anniversary of the signing of the surrender document on the USS Missouri.

"(3) That the conference be held at San Francisco, the cradle of the United Nations Organization."

The paper added that there is a good possibility that the proposal would be accepted. It pointed out that the opposition of China, Australia and the Philippines to US aid to Japan "has convinced the United States that without the cooperation of the Far Eastern Nations, the US aid to Japan program can never prove a success."

The *Tung Nan Jih Pao*, however, doubted if a peace conference could solve the China-Japan-US problem. It said:

"The matter of convening a Japanese peace conference has long been shelved. During the past six months and more, US aid to Japan has become increasingly positive and the question of a peace conference has been left undiscussed. The US is planning to bring about accomplished facts first. For this reason, opposition to US aid to Japan on the part of the Far Eastern nations has become increasingly strong. It is no longer the US, but interested nations like Britain and Australia, which advocates the early convocation of a Japanese peace conference. It is reported that Washington is not at all interested in this proposal, because it is now interested in something else.

"The greatest problem is whether the anti-US aid to Japan movement can be solved by a peace treaty. If a peace treaty were concluded but were not what we desire, what would be the result? Under the existing circumstances, how can we obtain a peace treaty which will meet our desire? It is inadvisable to overestimate the effectiveness of a peace treaty and to underestimate the complexity of the anti-US aid to Japan movement, because US aid to Japan is a fact and not a "misunderstanding". US aid to Japan is the cause, while opposition to US aid is the effect. If the US will stop aiding Japan, why need the other nations go to the trouble of "opposing US aid to Japan"? If some do not blame the US for aiding Japan, but, instead, blame others for opposing US aid to Japan and expects a peace treaty to dispel the misunderstanding, then we must ask: will the peace treaty really be able to stop the US from aiding Japan? It is even possible that not only will the peace treaty be unable to prevent Japan from resurging, but that it will ensure the legalization of the accomplished facts brought about by US aid to Japan. Would that not be even worse?

"If China wants to establish her position in East Asia, she must first prevent the resurgence of Japan. This should be our main purpose in concluding a peace treaty with Japan. If the peace treaty to be concluded cannot answer this purpose, then we would rather not conclude one.

"Not that we disfavor the early conclusion of a peace treaty with Japan, but in the interest of the country and the people, we feel we need to give this matter further careful consideration."

* * *

Dewey Nomination

THOMAS E. Dewey's nomination as Republican presidential candidate appeared to have caused some cautious elation among the pro-Kuomintang Chinese press.

The *Yih Shih Pao*, a Chinese Catholic newspaper, commented on Dewey's acceptance speech and took a crack at the late President Roosevelt. It said:

"We must learn to do better. The period that is drawing to a close has been one of scientific achievement. The era that is opening before us must be a period of human and spiritual achievement. This is what Governor Thomas E. Dewey of New York said in the course of his speech accepting his nomination as Republican Presidential candidate. As a matter of fact, the United States made the mistake of securing a temporary peace at the expense of freedom, and in its party platform the Republican Party made this indictment of the Democratic Party: 'We shall protect the future against the errors of the Democratic Administration, which has too often lacked clarity, competence or consistency in our vital international relationships and has too often abandoned justice'.

"We will not dwell now on a remote instance like the signing by the late President Roosevelt of the secret Yalta pact. A more recent instance is that in implementing her foreign aid bill, the US has been talking about certain conditions, including, for instance, the opening of China's inland waterways to foreign shipping."

The Review's English Lesson—XXXIX

Idiomatic Expressions in Paragraphs with Explanations, More Idioms and Answers to Last Week's Examination

The following paragraphs contain idiomatic words and expressions in dark print. Read the paragraphs and see if you understand them. Check the accuracy of your interpretation by reading the translations which follow the test paragraphs:

John Q. Emerson is an **old hand** at **jumping from the frying pan into the fire.** Although he was not **in good standing** in his community, he was given **a free hand** by his fellow politicians **to lay the groundwork** for the coming election. He made his **right-hand man** the **favorite-son** of the state of Michigan by **making deals** in **smoke-filled rooms.** This **handpicked candidate** preferred a **meat-axe technique** to a **velvet-glove approach** and made many **boners** which got him into trouble. Emerson tried to persuade **his right-hand man to back down** on some of his rash statements, but the damage had been done and the community was **up in arms** against Emerson.

At **a tank-town campaign rally** in Michigan the candidate, Elmer Kalamazoo, **ran wild** in some of the statements he made. He **let off steam** by making **off-the-record remarks** about Emerson's statesmanship when he was on **The Hill** in 1946. He said that Emerson was nothing but **a rubber-stamp** for the veterans' interests. With these remarks **on the books** it was easily apparent that he would **get nowhere** in the campaign and would be **left at the post.**

The next two paragraphs explain the above expressions:

John Q. Emerson has **had much experience** in **getting out of a bad position only to get into a worse one.** Although he did not **have a good reputation** in his community, he was given **wide discretionary powers** by his fellow politicians to **make preparations for** the coming election. He made his **closest assistant** the **leading or foremost candidate** of the state of Michigan by **arranging compromises of a questionable character** in **covert meetings.** This **specially selected candidate** preferred **unsubtle tactics** to **politic or discreet methods** and made many **mistakes** which caused him difficulties. Emerson tried to persuade his right-hand man **(the candidate) to withdraw** some of his rash statements, but the damage had been done and the community was **angrily opposed to** Emerson.

At **a political meeting in a small town** in Michigan the candidate, Elmer Kalamazoo, **spoke without restraint** in making some of his statements. He **released his emotional feelings** by making **statements not for publication** about Emerson's statesmanship when he was **in Congress** in 1946. He said that Emerson was nothing but **a person who approved** of the veterans' interests **as a matter of routine.** With these remarks **openly recorded** it was easily apparent that **he** would **be unsuccessful** in the campaign and **be badly defeated by his opponent.**

* * *

The expressions given below have been taken from recent editions of the *Review:*

"pork barrel"—obtained from the government by political patronage.

"to lay itself open"—make itself vulnerable to criticism or attack.

"pan out"—prove successful.

"not very bright"—not very intelligent.

"table talk"—casual conversation or gossip; conversation made while those who converse are seated at a table eating.

The answers to last week's test are given below:

TRUE OR FALSE:

1.	False	6.	False
2.	False	7.	True
3.	True	8.	False
4.	False	9.	True
5.	True	10.	False

CHOICE OF CORRECT ALTERNATIVE:

1.	(3)	6.	(1)
2.	(1)	7.	(1)
3.	(3)	8.	(3)
4.	(2)	9.	(2)
5.	(2)	10.	(1)

CORRECT OR INCORRECT:

1.	Incorrect	6.	Correct
2.	Correct	7.	Incorrect
3.	Incorrect	8.	Incorrect
4.	Incorrect	9.	Correct
5.	Incorrect	10.	Correct

DEPARTMENT OF FULLER EXPLANATION:

We have a feeling that some of our readers may have some doubts about the explanations given in the paragraphs of idiomatic expressions in this Lesson and also the answers to the examination. We cannot know exactly what your questions might be, so don't hesitate to write and ask us for more elaborate answers or explanations if you have any doubts about the contents of the Lesson.

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